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LEGISLATIVE HISTORY
Public Law 90-321
S. 5

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INDEX AND SUMMARY OF S. 5

Jan.	11, 1967	Sen. Proxmire introduced and discussed S. 5 which was referred to Senate Banking and Currency Committee. Print of bill and remarks of author.
June	8, 1967	Senate subcommittee approved S. 5 for full committee consideration.
June	27, 1967	Senate committee ordered S. 5 reported.
June	29, 1967	Senate committee reported S. 5 with amendment. Senate Report 392. Print of bill and report.
July	10, 1967	Senate began debate on S. 5.
July	11, 1967	Senate passed S. 5 with amendment.
July	12, 1967	S. 5 was referred to House Banking and Currency Committee. Print of bill as referred.
July	20, 1967	Rep. Sullivan introduced and discussed H. R. 11601 which was referred to House Banking and Currency Committee. Print of bill and remarks of author.
Nov.	28, 1967	House committee ordered H. R. 11601 reported.
Dec.	13, 1967	House committee reported H. R. 11601 with amendments. House Report 1040. Print of bill and report.
Jan.	24, 1968	Rules Committee reported a resolution for consideration of H. R. 11601. H. Res. 1043. House Report 1064. Print of resolution and report.
Jan.	30, 1968	House began debate on H. R. 11601.
Jan.	31, 1968	House continued debate on H. R. 11601.
Feb.	1, 1968	House passed H. R. 11601 then passed S. 5 with amendment to insert language of H. R. 11601. H. R. 11601 was tabled due to passage of S. 5.
Feb.	7, 1968	Senate conferees were appointed.
Feb.	8, 1968	House conferees were appointed.
May	16, 1968	Conferees were granted may 18th to file report.
May	20, 1968	House received conference report on S. 5.
May	22, 1968	Both Houses agreed to conference report on S. 5.
May	29, 1968	Approved: Public Law 90-321

DIGEST OF PUBLIC LAW 90-321

CONSUMER CREDIT PROTECTION ACT. Requires creditors to give consumers full information about the extension of credit.

Provides that no more than 25% of a consumers take home pay may be garnisheed. Establishes a National Commission on Consumer Finance to study and report to Congress on the consumer finance industry and consumer credit transactions.

IN THE SENATE OF THE UNITED STATES

JANUARY 11, 1967

Mr. PROXMIRE (for himself, Mr. BARTLETT, Mr. BREWSTER, Mr. CASE, Mr. CLARK, Mr. DODD, Mr. GRUENING, Mr. HART, Mr. INOUE, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. LAUSCHIE, Mr. MAGNUSON, Mr. MCGEE, Mr. MONDALE, Mr. MORSE, Mr. MOSS, Mr. NELSON, Mr. PELL, Mr. RANDOLPH, Mr. TYDINGS, Mr. YARBOROUGH, and Mr. YOUNG of Ohio) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

To assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Truth in Lending Act".

4 DECLARATION OF PURPOSE

5 SEC. 2. The Congress finds and declares that economic
6 stabilization would be enhanced and that competition among
7 the various financial institutions and other firms engaged in

1 lending or the extension of credit would be strengthened
2 by the informed use of credit for the acquisition of property
3 and services. The informed use of credit results from an
4 awareness of the cost thereof to the user. It is the purpose
5 of this Act to assure a full disclosure of such cost with a
6 view to promoting the informed use of credit to the benefit
7 of the national economy.

8 DEFINITIONS

9 SEC. 3. As used in this Act, the term—

10 (1) “Board” means the Board of Governors of the
11 Federal Reserve System.

12 (2) “Credit” means any loan, mortgage, deed of trust,
13 advance, or discount; any conditional sales contract; any
14 contract to sell or sale, or contract of sale of property or serv-
15 ices, either for present or future delivery, under which part
16 or all of the price is payable subsequent to the making of such
17 sale or contract; any rental-purchase contract; any contract
18 or arrangement for the hire, bailment, or leasing of property;
19 any option, demand, lien, pledge, or other claim against, or
20 for the delivery of, property or money; any purchase, or
21 other acquisition of, or any credit upon the security of, any
22 obligation or claim arising out of any of the foregoing; and
23 any transaction or series of transactions having a similar
24 purpose or effect.

25 (3) “Finance charge” means the sum of all the charges

1 incurred by the borrower for the extension or use of credit
2 and shall include, but not by way of limitation, loan fees,
3 service and carrying charges, discounts, interest, time price
4 differentials, and investigators' fees.

5 (4) "Total amount to be financed" means the total
6 credit extended, excluding the finance charge.

7 (5) "Annual percentage rate" means the percentage
8 rate per period expressed as a per centum per annum. It
9 shall be computed by multiplying the percentage rate per
10 period by the number of periods per year.

11 (6) "Percentage rate per period" means the percentage
12 ratio of the finance charge for the period for which the
13 charge is made to the unpaid balance of the total amount
14 to be financed.

15 (7) "Period" means the time interval between the pay-
16 ments specified in the credit agreement for repayment of the
17 total amount to be financed.

18 (8) "Creditor" means any person engaged in the busi-
19 ness of extending credit (including any person who as a
20 regular business practice makes loans or sells or rents prop-
21 erty or services on a time, credit, or installment basis, either
22 as principal or as agent) who requires, as an incident to the
23 extension of credit, the payment of a finance charge.

24 (9) "Person" means any individual, corporation, part-
25 nership, association, or other organized group of persons, or

1 the legal successor or representative of the foregoing, and
2 includes the United States or any agency thereof, or any
3 other government, or any of its political subdivisions, or any
4 agency of the foregoing.

5 DISCLOSURE OF FINANCE CHARGES

6 SEC. 4. (a) Except as provided in subsection (b), any
7 creditor shall furnish to each person to whom credit is
8 extended, prior to the consummation of the transaction, a
9 clear statement in writing setting forth, to the extent appli-
10 cable and ascertainable and in accordance with rules and
11 regulations prescribed by the Board, the following infor-
12 mation—

13 (1) the cash price or delivered price of the prop-
14 erty or service to be acquired;

15 (2) the amounts, if any, to be credited as down-
16 payment and/or trade-in;

17 (3) the difference between the amounts set forth
18 under clauses (1) and (2) ;

19 (4) the charges, individually itemized, which are
20 paid or to be paid by such person in connection with
21 the transaction but which are not incident to the ex-
22 tension of credit;

23 (5) the total amount to be financed (the sum of
24 the amounts set forth under (3) and (4), above) ;

1 (6) the finance charge in dollars and cents;

2 (7) the finance charge expressed as an annual per-
3 centage rate to be computed as set forth in section 3 (5) ;

4 (8) the time and amount of payments scheduled to
5 repay the indebtedness; and

6 (9) the terms applicable in the event of advanced
7 or delayed payments from those specified in (8) above.

8 (b) Any creditor agreeing to extend credit to any per-
9 son pursuant to a revolving or open-end credit plan shall, in
10 accordance with rules and regulations prescribed by the
11 Board—

12 (1) furnish to such person, prior to agreeing to
13 extend credit under such plan, a clear statement in
14 writing setting forth the following information:

15 (i) the periodic dates of the balances against
16 which a finance charge will be imposed;

17 (ii) the percentage rate per period of the
18 finance charge to be imposed; and

19 (iii) the periodic rate of finance charge ex-
20 pressed as an annual percentage rate.

21 (2) furnish to such person, as of the end of each
22 period following the entering into of any such agree-
23 ment, a clear statement in writing setting forth to the
24 extent applicable and ascertainable—

1 (A) the outstanding balance in the account of
2 such person as of the beginning of such period;

3 (B) the amount of each extension of credit to
4 such person (including the cash price or delivered
5 price of any property or service acquired by such
6 person) during such period and, unless previously
7 furnished, the date thereof and a brief identification
8 of any property or services so acquired;

9 (C) the total amount received from, or credit-
10 ed to the account of, such person during such period;

11 (D) the outstanding unpaid balance in the ac-
12 count of such person as of the end of such period;

13 (E) the annual percentage rate used to com-
14 pute the finance charge for such period;

15 (F) the balance on which the periodic finance
16 charge was computed; and

17 (G) the finance charge (in dollars and cents)
18 imposed for such period.

19 As used in this subsection, the term "revolving or open-end
20 credit plan" means a credit plan prescribing the terms of
21 credit transactions which may be made thereunder from
22 time to time and under the terms of which a finance charge
23 may be computed on the outstanding unpaid balance from
24 time to time thereunder.

25 (c) If information disclosed in accordance with this

1 section and any regulations prescribed by the Board is sub-
2 sequently rendered inaccurate as the result of a prepayment,
3 late payment, or other adjustment in the credit agreement
4 through mutual consent of the parties, the inaccuracy result-
5 ing therefrom shall not constitute a violation of this section.

6 REGULATIONS

7 SEC. 5. (a) The Board shall prescribe such rules and
8 regulations as may be necessary or proper in carrying out
9 the provisions of this Act. Such rules and regulations shall
10 (1) include a description of (A) the methods which may
11 be used in determining the annual percentage rate for the
12 purpose of section 4, and (B) the size of type or lettering
13 which shall be used in setting forth information required by
14 such section, (2) prescribe reasonable tolerances of accuracy
15 with respect to disclosing information under such section,
16 and (3) require that such information be set forth in bold
17 type and with sufficient prominence to insure that it will
18 not be overlooked by the person to whom credit is extended.
19 Any rule or regulation prescribed hereunder may contain such
20 classifications and differentiations, and may provide for such
21 adjustments and exceptions as in the judgment of the Board
22 are necessary or proper to effectuate the purposes of this
23 Act or to prevent circumvention or evasion, or to facilitate
24 the enforcement of this Act, or any rule or regulation issued
25 thereunder. In prescribing any exceptions hereunder with

1 respect to any particular type of credit transaction, the Board
2 shall consider whether in such transactions compliance with
3 the disclosure requirements of this Act is being achieved
4 under any other Act of Congress.

5 (b) In the exercise of its powers under this section,
6 the Board shall request the views of other Federal agencies
7 exercising regulatory functions with respect to creditors, or
8 any class of creditors, which are subject to the provisions
9 of this Act, and such agencies shall furnish such views upon
10 request of the Board.

11 (c) The Board shall establish an advisory committee,
12 consisting of not more than nine members, to advise and con-
13 sult with it in the exercise of its powers under this section.
14 In appointing members to such committee the Board shall
15 seek to achieve a fair representation of the interest of sellers
16 of merchandise on credit, lenders, and the public. Such com-
17 mittee shall meet from time to time at the call of the Board,
18 and members thereof shall be paid transportation expenses
19 and not to exceed \$25 per diem in lieu of subsistence, as
20 authorized by section 5 of the Act of August 2, 1946 (5
21 U.S.C. 73b-2).

22 EFFECT ON STATE LAWS

23 SEC. 6. (a) This Act shall not be construed to annul,
24 or to exempt any creditor from complying with, the laws
25 of any State relating to the disclosure of information in con-

1 nection with credit transactions, except to the extent that
2 such laws are directly inconsistent with the provisions of
3 this Act or regulations issued thereunder.

4 (b) The Board shall by regulation exempt from the
5 requirements of this Act any credit transactions or class of
6 transactions which it determines are effectively regulated
7 under the laws of any State so as to require the disclosure
8 by the creditor of the same information as is required under
9 section 4 of this Act.

10 CIVIL AND CRIMINAL PENALTIES

11 Civil Penalties

12 SEC. 7. (a) Any creditor who in connection with any
13 credit transactions fails to disclose to any person any infor-
14 mation in violation of this Act or any regulation issued there-
15 under shall be liable to such person in the amount of \$100,
16 or in any amount equal to twice the finance charge required
17 by such creditor in connection with such transaction, which-
18 ever is the greater, except that such liability shall not exceed
19 \$2,000 on any credit transaction. Action to recover such
20 penalty may be brought by such person within one year from
21 the date of the occurrence of the violation, in any court of
22 competent jurisdiction. In any such action, no person shall
23 be entitled to recover such penalty solely as the result of
24 the erroneous computation of any percentage required by
25 section 4 (a) (7), 4 (b) (1), or 4 (b) (2) (E) of this Act

1 to be disclosed to such person, if the percentage disclosed
2 to such person pursuant to this Act was in fact greater than
3 the percentage required by such section, or by the regulations
4 prescribed by the Board, to be disclosed. In any action
5 under this subsection in which any person is entitled to a
6 recovery, the creditor shall be liable for reasonable attor-
7 neys' fees and court costs as determined by the court. As
8 used in this subsection, the term "court of competent juris-
9 diction" means either any Federal court of competent juris-
10 diction regardless of the amount in controversy or any State
11 court of competent jurisdiction.

12 Criminal Penalties

13 (b) Any person who gives false or inaccurate informa-
14 tion or fails to provide information required to be disclosed
15 under the provisions of this Act or any regulation issued
16 thereunder or who otherwise willfully violates any provision
17 of this Act or any regulation issued thereunder shall be fined
18 not more than \$5,000 or imprisoned not more than one year,
19 or both.

20 (c) Except as specified in subsection (a) of this sec-
21 tion, nothing contained in this Act or any regulation there-
22 under shall affect the validity or enforceability of any contract
23 or transaction.

24 (d) No punishment or penalty provided by this Act
25 shall apply to the United States, or any agency thereof, or

1 to any State, any political subdivision thereof, or any agency
2 of any State or political subdivision.

3 EXCEPTIONS

4 SEC. 8. The provisions of this Act shall not apply to—

5 (1) credit transactions involving extensions of
6 credit to business firms as such, governments, or govern-
7 mental agencies or instrumentalities; or

8 (2) transactions in securities or commodities in
9 accounts by a broker-dealer registered with the Secu-
10 rities and Exchange Commission.

11 EFFECTIVE DATE

12 SEC. 9. The provisions of this Act shall take effect upon
13 the expiration of one hundred and eighty days after the date
14 of its enactment; except that section 5 shall take effect
15 immediately.

A BILL

To assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit.

By Mr. PROXMIRE, Mr. BARTLETT, Mr. BREWSTER, Mr. CASE, Mr. CLARK, Mr. DODD, Mr. GRUENING, Mr. HART, Mr. INOUYE, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. LAUSCHE, Mr. MAGNUSON, Mr. MCGEE, Mr. MONDALE, Mr. MORSE, Mr. MOSS, Mr. NELSON, Mr. PEEL, Mr. RANDOLPH, Mr. TYDINGS, Mr. YARBOROUGH, and Mr. YOUNG of Ohio

JANUARY 11, 1967

Read twice and referred to the Committee on
Banking and Currency

tensions of credit, the sales of assets and borrowing from the public are treated along with the transactions of banks, insurance companies and other private financial institutions. The information required for such a statement is already available.

One of the great weaknesses of the present budgetary procedure is that it pins the Government down to a single, 18-month economic forecast from which estimates of revenues are derived. If the budget is to become an effective tool of policy, semi-annual or more frequent public reviews are essential. They would permit the Government to alter its economic forecast, its revenue estimates and expenditure plans in light of changing conditions.

Finally, the discussion of individual Federal programs ought to be couched in terms of costs and benefits conferred upon the public. Instead of beginning the discussion of agricultural programs with the remark that "Rising domestic and foreign demands have highlighted the importance of maintaining a healthy and productive agriculture economy," the President should discuss the costs of the programs and make some judgment as to whether progress is being made toward achieving stated goals.

The budget for 1968 with its innovative emphasis on the national income accounts will long be remembered. President Johnson's next step, which he outlined in his Message, is to undertake "an objective review of budgetary concepts" by appointing a bipartisan group of experts.

SEVENTY-FIVE PERCENT OF PARITY AN INSULT TO AMERICAN FARMERS

Mr. PROXMIRE. Mr. President, the No. 1 economic shame in this country for the past 10 years has been low farm income. A flurry in farm prices last spring that seemed to promise a better day for the farmer has deceived many who should know better into the illusion that farmers are now doing well.

But consider the latest revelations in this morning's papers: Farm prices dropped last month and the prices farmers pay rose once again.

As a result farm parity the best available—although imperfect measure of farm income—sank to 75 percent, the lowest level it has been at in many years.

Parity measures the level of farm income in relation to what the farmer has to pay.

Only the most massive exodus in American economic history of low-income farmers off the farm, combined with an effort to automate and increase efficiency that can only be classified as heroic has kept farmers' heads above water. Think of it: Efficiency on the farm has increased three times as rapidly as off the farm in the past 15 years. The typical American farmer is making by far the biggest investment in history—on the average in my State of Wisconsin, for example, he is investing over \$50,000 per farm, and yet his income per hour, based on Department of Agriculture figures, is an insulting fraction of the minimum wage.

The 1967 Economic Report of the Council of Economic Advisers in an appendix that explains the big increase in personal compensation in 1966 points to the vast exodus of farmers out of farming and into industry where factory wages greatly surpass farm income as a principal reason.

What an injustice. These highly skilled, most productive people in our economy who are producing the food and fiber that represents the real necessity of life are earning a grossly inadequate, unjustly low income. How ironic that the farmers, who have increased their efficiency far more rapidly than others, and who have big investments, take big risks, and work far longer hours, should have an income so pitifully low that an exodus from farming to factory jobs—and unskilled factory jobs in most cases—is the element, more than any other, which has increased personal compensation in this country for the last several years.

I ask unanimous consent to have printed in the RECORD an article entitled "Farm-Price Decline of 1 Percent Led by Cotton and Milk," published in this morning's New York Times, which spells out the ratio of prices of farm products and the prices farmers are now required to pay.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

FARM-PRICE DECLINE OF 1 PERCENT LED BY COTTON AND MILK

WASHINGTON, January 30.—Farm product prices declined 1 per cent between mid-December and mid-January. Reporting this today, the Agriculture Department said lower prices for cotton, milk, and eggs contributed most to the decline. Increases in prices for cattle, broilers and potatoes were offsetting factors.

Prices in mid-January were down 6.25 per cent from the peak reached in August, 1966. They also were down 3 per cent from January last year.

Prices paid by farmers for goods and services used in production and in family living also increased 1 per cent during the month, to a new record.

Farm prices as a whole in mid-January reflected 75 per cent of the parity goal of Federal farm programs. This compared with 77 per cent in December and 80 per cent in January last year.

The department said prices received by farmers in mid-January reflected 255 per cent of the 1910-14 base average, compared with 258 per cent in mid-December, 262 per cent in mid-January last year and a record 313 per cent in February, 1951.

Prices paid by farmers in mid-January averaged 340 per cent of the 1910-14 average compared with 337 per cent in mid-December, and 327 per cent set in mid-January last year.

The department said cotton prices declined 10 per cent between mid-December and mid-January, dairy prices 3 per cent, fruit prices 8 per cent and poultry product prices 4 per cent.

U.S. HISTORY OBLIGES SENATE RATIFICATION OF SLAVERY CONVENTION

Mr. PROXMIRE. Mr. President, just a little more than a century ago, the United States was embroiled in a great national debate: arguing the morality, necessity, and legality of slavery. Today nations, far less developed and far less sophisticated than 19th century America, are struggling to find their own answers to the slavery question. We can hope that these nations will find the same answers that the United States found 100 years ago. We can also hope

that their answers will be reached without killing, bloodshed, and destruction.

But the Senate can do much more than collectively playing the unlikely roles of 100 Pollyannas. No new Federal legislation is required. No major revamping of our domestic life is necessary. By the relatively simple act of ratifying the human rights convention on slavery, we can offer to these new nations both the value of our national experience and the wisdom of our national decision.

Slavery is a totally dehumanizing and destructive institution. The slave belongs to society, but is not a part of it. He is a being—but not human—stripped of the basic consolations of family, friends, or faith. Prevented from establishing even the most primitive identity for himself, he can impart to his descendants only the same alienation and aloneness.

It took much of the Western World almost 2,000 years after the teaching of Christ to recognize and eliminate the basic inhumanity of slavery. Is it now the mission of the United States to withdraw from the forum where this basic question of human dignity is being decided? No; we have an obligation to all mankind to participate, to contribute, and to advocate.

I believe this American commitment to the continuing crusade for human rights is far more profound than either narrow nationalism or noisy chauvinism. Our former Ambassador to the United Nations, the late Adlai Stevenson articulated this commitment for all of us:

When an American says that he loves his country, he means not only that he loves the New England hills, the prairies glistening in the sun, the wide and rising plains, the great mountains, and the sea. He means that he loves an inner air, an inner light in which freedom lives and in which a man can draw the breath of self-respect.

This is the meaning of America. This is the mission of America to the world. Let the Senate not impede that mission any longer. Let the Senate ratify the human rights conventions on slavery, forced labor, political rights of women, and genocide.

WHY NOT PHASE INVESTMENT CREDIT IN 1 PERCENT EACH MONTH BEGINNING JUNE 1?

Mr. PROXMIRE. Mr. President, a constituent of mine, Mr. John S. Randall, the executive vice president of the Kearney Trecker Corp., of Milwaukee, has made a most ingenious suggestion for meeting the serious economic problem involved in the suspension of the investment credit.

The action of the Congress last year in suspending the investment credit created a potential shutdown in the machine tool and other industries producing equipment for American industry.

This is because in the latter half of the next year, firms contemplating the purchase of equipment will be very reluctant to do so until January 1. Why is this? Because the postponement of the decision to buy for a few months could result in a handsome difference in profits.

A firm buying \$100 million in jet-planes for example, would lose \$7 million

in net profits by buying on October 1, compared to waiting until January 1 to buy.

The result in the view of many economists is that the many equipment industries in this country—representing a great deal of employment and industrial activity—might as well close up shop next fall with a big increase in unemployment. Conceivably such a development could kick off a recession which would not be stemmed by the resumption of the investment credit on January 1. If business conditions are not good at the first of the year, the postponed purchase might never be made.

To meet this problem, Mr. Randall has suggested that the investment credit should be phased in at the rate of 1 percent per month over a period of 7 months.

If this process should begin on June 1, it would mean that the 7-percent credit would be back in full force on January 1, 1968. There would be no disruption of production, and the purpose of the investment credit suspension—to hold down, but not to kill the investment in plant and equipment—would have been adequately served—but without the overkill that is sure to result without some adjustment such as Mr. Randall has suggested.

I hope the Ways and Means Committee in the House, the Finance Committee in the Senate, and the Treasury Department will all give this ingenious suggestion their careful attention. It makes excellent sense.

THE TRUTH-IN-LENDING BILL

Mr. PROXMIRE. Mr. President, on January 11, I introduced S. 5, the truth-in-lending bill. I am pleased that 22 Senators have joined with me in sponsoring this much needed measure to protect the interest of the American consumer. My appreciation is extended to Senators BARTLETT, BREWSTER, CASE, CLARK, DODD, GRUENING, HART, INOUE, KENNEDY of Massachusetts, KENNEDY of New York, LAUSCHE, MAGNUSON, MCGEE, MONDALE, MORSE, MOSS, NELSON, PELL, RANDOLPH, TYDINGS, YARBOROUGH, and YOUNG of Ohio for cosponsoring this important bill. Today, I want to discuss the basic features of the truth-in-lending bill and to outline the reasons why I believe the bill is in the public interest.

Mr. President, the truth-in-lending bill was originally introduced by our great former colleague, Senator Paul H. Douglas, of Illinois. Paul Douglas fought long and hard for truth in lending as he did for many other causes throughout his distinguished career. We in the Senate owe him a great debt of gratitude for his leadership and efforts on behalf of issues and ideas which many lesser men would have long since abandoned.

And so it is with truth in lending. Paul Douglas saw the need for the full disclosure of consumer credit charges long before any of us. He educated us and the American public and paved the way, not only for truth in lending, but for a heightened awareness of the need for legislation to protect the American consumer on a variety of points. This

awareness resulted in many constructive accomplishments by the Congress, including the truth-in-packaging bill on which our able colleague from Michigan [Mr. HART] has exerted such magnificent leadership.

Paul Douglas is a great economist and a great American. He was a great Senator. In all three roles, he truly believed in our free enterprise system and in the ability of the market to insure a more abundant life for all. He did not believe in governmental regulation or control, but rather saw the role of government as removing obstacles to free and open competition.

The truth-in-lending bill is a case in point. The market system requires information in order to function—information on the part of both buyers and sellers. When information channels become clogged, competition breaks down. The essence of the truth-in-lending bill is to restore full information in the consumer credit field—to insure a full disclosure of the cost of credit—and thus to permit the market system to function more effectively.

And so I predict the 90th Congress will enact a truth-in-lending bill, not only as a tribute to our dear former colleague, Paul H. Douglas, but also as a tribute to the American people and to our democratic system where it is possible for good ideas to live on and ultimately realize success.

PRINCIPLES OF TRUTH IN LENDING

Mr. President, a truth-in-lending bill has been before this body since January 7, 1960. Most Senators have an accurate understanding of the objectives and principles of this legislation. Nevertheless, as is frequently true in the case of strongly contested legislation, fictions and myths arise from the contest. Let me first, therefore, enumerate the bill's basic purpose and the principles on which this legislation is based.

The first principle of the bill is to insure that the American consumer is given the whole truth about the price he is asked to pay for credit. The bill would not regulate interest charges, but would rather aim at a full disclosure of the cost of credit so that the consumer can make an intelligent choice in the marketplace. I emphasize that it would not regulate interest charges. It would not set ceilings.

A crucial provision of the bill deals with expressing credit charges as an annual percentage rate. Without the knowledge of an annual rate it is virtually impossible for the ordinary person to shop for the best credit buy. However, in an effort to remove objections to earlier truth-in-lending bills, my new version makes it abundantly clear that lenders need only state an approximate annual rate and would not be held to absolute accuracy down to the last decimal point.

The second principle is that the whole truth about the cost of credit really is not meaningfully available unless it is stated in terms that consumers in our society can understand. Just as the consumer is told the price of milk per quart and the price of gasoline per gallon, so must the buyer of credit be told the "unit price." Historically in our society that unit price for credit has been the

annual rate of interest or finance charge applied to the unpaid balance of the debt. Without easy knowledge of this unit price for credit, it is virtually impossible for the ordinary person to shop for the best credit buy. This is true, of course, because different offerings of credit may vary with respect to the amount of debt, the number of payment periods under which it is to be repaid, and the amount to be paid per period.

A third principle is that the definition of finance charge, upon which an annual percentage rate is calculated, needs to be comprehensive and uniform. It needs to be uniform in order to permit a meaningful comparison between alternative sources of credit. Two 12-percent loans are not identical in cost if one requires additional charges for credit investigation, processing fees, and the like. The definition of finance charge also needs to be comprehensive in order to convey the true cost of credit. A 6-percent loan which requires a lot of additional charges is really not 6 percent, but is something higher.

The bill, therefore, states that in calculating the annual percentage rate for a loan all charges incident to the extension of credit are to be included.

The fourth principle of the truth-in-lending bill is that its advocates believe in our modified free enterprise system; that we believe in the benefits of a free market in which people may make their own choices knowledgeably and freely as an enduring and efficient basis for our economy. If we think that the market should be governed by the choices made by people, with a minimum of interference, obstruction, or monopoly, then we must support the right of the consumer to know the full facts so that he can make wise choices.

This principle of the truth-in-lending bill means, therefore, that prices set by American businessmen for interest or credit should not be set arbitrarily by the Federal Government but rather should be determined by the forces of free and open competition. I want to emphasize this point, because I have heard suggestions that the truth in lending bill is the foot in the door to eventual Federal Government determination of allowable rates of interest or finance charge which businessmen may levy on consumer credit.

Nothing could be further from the truth. I repeat again that a basic principle of this bill is that disclosure—just disclosure—of the full cost of credit effectively will protect consumers and businessmen. Full disclosure will restore a more free operation of individual choices in the marketplace.

I state unequivocally that this Senator does not prejudge any reasonable rate of finance charge. I do not argue that 18 percent is too high a rate for revolving credit accounts, nor that 20 percent is too high for some kinds of short-term cash loans of small amount. I merely say that what is a fair and allowable finance charge should be openly determined in the marketplace by informed consumers.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield to the Senator from Ohio, who is a cosponsor of the bill.

Mr. LAUSCHE. Mr. President, the Senator from Wisconsin has just stated that on a short-term loan he does not feel that everyone ought to be condemned if the loan carries with it a rate of interest of 18 or 20 percent.

Mr. PROXMIRE. The Senator is correct.

Mr. LAUSCHE. How does the Senator reach that conclusion? The very fact that a rate of 18 or 20 percent interest is charged is shocking and revolting to me.

Mr. PROXMIRE. I understand that. I think, if we look at the total credit charged as containing the elements of interest, investigation for credit risk, the paper work involved in setting up the account we can understand that if the loan is for a short period, for a few weeks, then in order to reclaim the charges incident to providing this credit, it is necessary for the lender to secure more than the 6 or 7 percent which may be the cost of money to him.

The lender has to get more than 6 or 7 percent to cover these other costs. That is the reason why it may be necessary under some circumstances to charge as much as 18 or 20 percent, although it would be possible under this bill for the borrower to shop around and see if he can get money for that short a period of time at more reasonable terms. Or he can go to his own savings account and draw the money down at a cost of 4½ or 5 percent, or extend his mortgage, or use some other means of getting the money.

Mr. LAUSCHE. Mr. President, the Senator has stated that I am a cosponsor of the bill, and I gladly join in supporting it.

I believe that the person who is willing to pay 18 percent interest is a dead duck. He never would agree to pay it if he had any other chance of escaping his economic distress.

When I was serving on the court in Cleveland, I saw individuals who borrowed money on the basis of 3 percent a month. This would mean that in the event of a loan of \$300, \$9 a month interest would be charged. They never became freed from the chain that was around their neck. The only time they became freed was when they went through bankruptcy.

I merely wish to restate that I join with the Senator from Wisconsin in the proposal that there shall be a complete revelation of all charges involved in making a loan—hidden and open charges involved in making a loan—hidden and open charges—so that the borrower will know exactly how heavy the burden is that he assumes when he borrows the money.

Mr. PROXMIRE. Mr. President, there is no Member of the Senate I would rather have as a cosponsor of this bill than the Senator from Ohio. As everyone knows, the Senator from Ohio is the firmest kind of friend of the free enterprise system, that he is a strong foe of unnecessary Government regulation or unnecessary Government control. He has fought hard to keep the Government as limited as possible.

The Senator from Ohio recognizes, as do I, that this is not a bill to regulate or

limit or determine the rate of interest, but simply to provide information to the consumer, so that the consumer, himself, will be in a position to evaluate a loan, to evaluate a financing charge, to know whether or not it is reasonable, and to be in a position to shop around.

I believe that this bill would improve and strengthen the free competitive system that the Senator from Ohio and I support.

Mr. LAUSCHE. I should like to make another comment. I have had the personal experience of going to a bank and borrowing a sum of money. Let us say that I borrowed a thousand dollars. The interest was 6 percent. They gave me \$940. The ordinary individual would assume that the interest was 6 percent a year. But when they gave me only \$940 on a thousand-dollar promised loan, the interest was much higher, of course.

Mr. PROXMIRE. The Senator is correct. Under some circumstances, the requirement is that the repayment be made at regular intervals, in which case the rate of interest could be double.

Mr. LAUSCHE. I have a bill pending and I respectfully suggest to the Senator from Wisconsin that I should receive some aid from persons who are attempting to protect distressed individuals in economic situations.

A shocking and woeful practice has developed of lenders on a mortgage charging a premium of 10 percent for making the loan. A poor individual borrows \$20,000 to buy a house. Instead of receiving the \$20,000, he receives \$20,000 less 10 percent, which is \$18,000. The \$2,000 becomes an immediate paper profit to the lender. The borrower also promises to pay a rate of interest of 6 percent—not on the \$18,000, but on the \$20,000.

Now, what is the gimmick? The Government guarantees that the lender will receive not only the \$18,000 which he has laid out, but also the \$2,000 that he has charged to make the loan.

I investigated a bankruptcy case in the Federal court of Cleveland. Loans were made to poor Negroes who wanted to buy a house, and they agreed to pay the 10 percent premium, plus the 6 percent interest. The lender made the loan, and he made it in the hope that the poor colored man would not be able to pay in the first year; for, if the borrower did not pay in the first year, the loan would be foreclosed, and the lender would have earned a 10 percent premium and 6 percent interest.

It is a shocking situation, Mr. President, that the bill I have introduced is pending in the Senate, and I cannot get any cosponsorship of it.

These lending practices constitute robbery, and we tolerate them. The Federal Government is daily paying out guarantees not only on the actual money loaned, but also on the exorbitant charge of 10 percent premium. In Chicago, the premium is 15 and 20 percent.

Mr. PROXMIRE. I say to the distinguished Senator from Ohio that he has performed a great service in introducing that bill. As I understand, the bill is pending before the Committee on Banking and Currency, and it will receive my most careful and sympathetic consideration. I have spoken to members of

the staff, and I have requested them to give us a report on it.

Mr. LAUSCHE. I commend the Senator from Wisconsin for his assistance.

Mr. PROXMIRE. Mr. President, the fourth principle of truth in lending is that ethical businessmen, those who believe in a competitive free enterprise system, and who work to achieve their profits by offering quality and service—and not deception or confusion—will be aided by full disclosure. Obviously, however, the truth-in-lending bill does not help the unethical businessman who engages in deceiving or confusing or fooling or cheating the credit customer.

I have great respect for and faith in American businessmen. I have, for a number of years, been the chairman of the Small Business Subcommittee in the Senate. I know that the overwhelming body of businessmen want to be competitive. I hope deeply that on reflection they will see that enactment of the truth-in-lending bill is the best way to avoid legislation which would actually have the Government set allowable interest and finance charge rates.

We want to avoid that kind of regulatory legislation, and this disclosure legislation would do so. Full disclosure of the cost of credit will also protect the ethical businessman from unfair competition on the part of a few unscrupulous lenders who profit by providing deceptive information to consumers.

The fifth principle of the truth-in-lending bill is that consumer credit, unencumbered by deception and confusion can be a force for stability in our economy. If consumers understand the price of credit as they understand the price of other articles and services, their choices can help to combat inflation or a recession. When finance charges go up in a period when inflation threatens, the consumers—if they know the cost of credit is going up—will be encouraged to postpone credit purchases; or when recession threatens, the knowledge that finance charges are lower can encourage consumers to buy. Thus, this knowledgeable action by consumers can help to keep the economy on an even keel. But of course, where finance rates are concealed, this mechanism of the marketplace is not permitted to work.

THE GROWTH OF CONSUMER CREDIT

Consumer credit has become a major element of American business and economic activity. I say this in commendation, not in criticism. The development of consumer credit has helped more people enjoy sooner the benefits of our magnificent productive capacity. Millions of people use consumer credit, and I am delighted that they do. I am not at all motivated by an effort to hurt the consumer credit segment of our economy. Quite the contrary. I want it to work better and to help more people to enjoy a better life.

The growth of consumer credit, from any point of view, has been spectacular. Short and intermediate term consumer credit now amount to \$92 billion, or 2.2 times the total only 10 years ago.

If we consider also the mortgage debt outstanding on nonfarm homes, which now amounts to \$220 billion, then the total of consumer debt has reached \$312

billion, only \$18 billion less than the entire national debt of the U.S. Government.

It is interesting to note that consumers pay approximately \$22 billion in interest or finance charges on their debt, while the Federal Government paid approximately \$12 billion in 1966 on the national debt. On short and intermediate term consumer debt, consumers pay about \$11 billion in finance charges, or nearly as much as the Federal Government pays in interest on the \$330 billion national debt.

The really significant development with respect to consumer credit is not only that it has increased so rapidly and now has attained a huge total, but also in particular, that installment credit has grown so rapidly. According to the Economic Indicators for December 1966, by October of 1966 the total \$91.899 billion of consumer credit outstanding was made up of \$73.073 billion in installment credit and \$18.826 billion in noninstallment credit, consisting of single payment loans, charge accounts, and service credit. Of the installment credit, the largest chunk is \$35.82 billion in automobile paper and \$19.737 billion in personal loans.

Of course, mainly the widespread use of installment credit has led to the confusion in the minds of consumers about the actual cost of credit. In the case of simple loans—that is, where the principal is paid back in its entirety at the end of the loan period—the rate of interest or finance charge is relatively easy to calculate. The grade school formula, that interest equals principal times the rate times the time, is relatively clear to many people. Thus, a loan of \$1,000 for a year at 6 percent requires the borrower to pay a finance charge of \$60.

The use of the installment repayment plan, however—in which the borrower immediately begins to repay a portion of the loan at the end of each payment period—brings about difficulties in easily determining the annual rate of interest. In the example of \$1,000 borrowed for a year at a finance charge of \$60 but repaid in 12 equal monthly installments, the actual rate of interest is not 6 percent, but slightly less than 12 percent—providing the borrower received the full \$1,000 and not a “discounted” loan of \$940. This difference in the finance charge expressed as an annual rate, of course, is due to the fact that the borrower has had the use, on the average over the course of the year, of only one-half the amount borrowed.

The intricacies of installment credit are explained in many publications, but recently an excellent publication of the National Shawmut Bank of Boston, Mass., has come to my attention, which succinctly and very helpfully explains the peculiarities of installment loans and the resulting actual interest rate.

Mr. President, I ask unanimous consent that this statement by the National Shawmut Bank be printed as an appendix to my remarks.

The PRESIDING OFFICER (Mr. Byrd of Virginia in the chair). Without objection, it is so ordered.

(See exhibit 1.)

Mr. PROXMIRE. Mr. President, I point out two things in connection with this brochure. First, note that this is a publication of a large commercial bank, one of the 70 largest banks in the country. The bank's publication of this brochure may be related to the fact that the legislature and Governor of the Commonwealth of Massachusetts have enacted two truth in lending laws requiring the full disclosure of the cost of consumer credit both in dollars and as an annual rate, but the brochure implies no criticism whatsoever of this requirement. Second, I point out that the formula which the brochure explains for determining the “simple annual interest rate” is only one of the possible formulas; namely, the constant ratio formula which the Massachusetts law requires be used. The bill I introduced today assumes the use of the actuarial method which is more precise, though easily implemented through the use of tables issued by financial publishing houses.

NEED FOR TRUTH IN LENDING

Mr. President, I am sure every Senator is aware of many of the abuses of the consumer which take place, whether or not they agree that this legislation is the best way to deal with them. The hearings held by subcommittees of the Senate Committee on Banking and Currency—in 1960, 1961, 1962, 1963, and 1964—the record of which numbers a total of 5,078 printed pages, contains testimony citing numerous examples of confusing and deceptive practices. I point out that these are examples relating only to deception and confusion in connection with disclosing the actual cost of credit. There are many other kinds of abuses in the field, but we have confined ourselves to this area.

In addition, subcommittees of the House Committee on Banking and Currency have also conducted investigations in this field and the records of those hearings contain many additional examples. I dare say, in addition, that every Senator has received letters of complaint from constituents who have felt cheated or deceived in a credit transaction. Also, the records of the bankruptcy courts and of the State courts which handle credit litigation are packed with examples of deceptive and confusing practices. Hardly a month goes by that some personal tragedy directly related to deceptive credit practices is not reported. To move into a singularly shocking area of abuse, Senators have been made aware, by revelations before the McClellan committee and other bodies, of the criminal “juice” racket which illustrates in the extreme the gouging of people desperately in need of funds, through exorbitant rates of finance charges.

There are numerous examples of consumers paying unusually high rates of interest as a result of not disclosing the full cost of credit. One witness before a Senate committee cited installment payments which involved interest computed at the rate of 168 percent a year. Many other examples are contained in the record of hearings conducted by the Senate Banking and Currency Committee. These hearings reveal a bewildering variety of methods for stating

financial charges in today's consumer credit industry, so that an informed choice among different credit plans is all but impossible except for a trained mathematician.

Although there are many examples of these practices, I do not charge that even the majority of businessmen willingly engage in these practices. Clearly, most do not, but many are victims of their unethical competitors who force them to use questionable practices if they wish to compete successfully.

All these sources disclose five basic methods of presenting a credit offering to a customer which may conceal the cost of credit or misrepresent it. Let me briefly describe these five practices.

First. Frequently no rate of finance charge or of interest at all is quoted to the consumer. This is the easiest method of obscuring the cost of credit. A customer is told, for example, only that he will pay so much down and so much a month. Thus, neither the total amount of the finance charge in dollars nor the rate of the finance charge is disclosed. Frequently, the number of periodic payments is also left untold, leading to an open-ended series of payments which are continued until the customer finally realizes what has happened and protests. But even if he is told the number of monthly payments he still will not know the real cost of the credit in terms he can understand and compare with other offerings unless he is a skillful mathematician. Not many of us are.

Second. A second frequent method is that the customer is told the finance charge in “dollars per \$100,” with the debt repayable in equal monthly installments. If, for example, he is told that the charge on a \$100 loan is \$6, the loan may be represented as a “6-percent loan.” But, of course, since he is repaying in installments, the actual rate is almost 12 percent or nearly double the stated rate. Thus, when the interest rate is quoted on the original amount of the debt, and not on the declining or unpaid balance, the true cost of the credit is concealed. This practice has been called the add-on rate.

Third. A third method, a variation of the add-on rate, is the discount rate. Under this method the borrower receives not the full amount of the loan, but that amount minus the finance charge. Using the example just mentioned, under the add-on rate the borrower receives \$100 in cash and pays back \$106. Under the discount method, he borrows \$100 but only receives \$94. Again, the finance charge of \$6 per \$100 may be represented as “6 percent.” And again, the actual rate is about 12 percent, actually slightly more than 12 percent, or twice the quoted rate.

Fourth. In the fourth method, small loan companies and retailers frequently state only a simple monthly rate. The customer is told that the finance rate is, for example, 1½ percent per month, or 3 percent per month. The actual annual rate under this circumstance is 12 times the quoted figure, or 18 percent in the first example and 36 percent in the second, if the interest is based on the un-

paid balance at the end of each monthly period. But if it is based on the entire original amount of the loan which is gradually being repaid, the approximate annual rate is about 24 times the quoted figure, or in these examples 36 percent and 72 percent. This is so, of course, again because the borrower has only the use of one-half the amount loaned on the average.

Fifth. A fifth method is well documented. In this method lenders confuse customers understanding of the actual cost of credit—and frequently evade State laws regulating credit—by loading on all sorts of extra charges. These may include wholly extraneous charges, for services not actually performed or for alleged expenses not actually incurred by the lender, such as credit investigation, processing and handling fees, and finders fees. Or they may include excessive charges for such services as credit life insurance or credit investigation.

If these charges are a cost to the borrower incident to the extension of the credit, they should rightfully be included in the finance charge. But by excluding them in a separate list the finance charge can be made to appear to be lower. If these charges incident to the extension of credit are not included in the list of the finance charges, then it is impossible for the borrower to compare the cost of one credit offering with another credit offering.

Examples disclosed by the sources I have mentioned have been frequently cited. Mr. President, I ask unanimous consent to have printed as an appendix to my remarks a statement of such examples.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 2.)

Mr. PROXMIRE. Mr. President, recently, the office of the chief judge of the circuit court of Cook County, Ill., issued a remarkable report on an investigation of credit practices which it conducted. Some of the results of this study were reported in the Chicago Tribune for December 16, 1966, but I have obtained a copy of the report of the study written by Mr. Jerome Schur, special assistant to the Honorable John S. Boyle, chief judge of the circuit court of Cook County.

In this study, Mr. Schur examined every confession of judgment complaint filed in the municipal or the circuit court of Cook County for the 2-week period from June 20, 1966, through July 1, 1966, inclusive. This period was chosen at random and was an average period. The total number of suits studied was 1,305.

There are many shocking disclosures in this report, but I will comment here only on what it shows about the finance charges involved in these cases. Finance charges as high as 283.9 percent were found in the case of used car contracts. In the case of radio, television and hi-fi sets, finance charges of 235 percent per year were found. In the case of clothing, rates of 199.6 percent, and for furniture, rates of 105.2 percent were found.

In all the suits studied—and remember that many of them arise out of other difficulties than high or concealed finance charges—the average rate of finance charge seems so exceptional that

it would be difficult to explain how anyone would have accepted them if they had realized how high the charges were. In the case of used cars, the average finance rate for all cases studied was 30.7 percent, in the case of radio, television, and hi-fi sets 37.1 percent, for furniture 36 percent, for furniture covers 31.2 percent, and for other appliances 26 percent. I emphasize that these were the averages from all the cases studied.

WHAT THE BILL DOES

The truth in lending bill is written, not to regulate interest or finance charges, but to require simply that people be told what they are. Its provisions are intended to eliminate substantially the methods of deceiving or confusing customers which I have cited.

Mr. President, rather than take the time of the Senate now for a technical discussion, I ask unanimous consent that a commentary and digest of the bill be printed as an appendix to my remarks. For those who wish to read it, this will help to clarify the details of the disclosure requirement.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 3.)

Mr. PROXMIRE. Mr. President, the bill would cover all forms of consumer credit transactions including installment purchases, home mortgages, small loans, and department store revolving charge accounts. Those who lend or extend credit would be required to reveal the total finance charge, both in dollars and cents and as an annual percentage rate. Consumer debt now totals \$312 billion and the annual interest payments alone amount to \$22 billion.

Basically, this bill makes three important requirements. The first is that the seller or lender must disclose and itemize all the components of the debt so that the borrower will know how the total debt is arrived at and whether the contract represents the verbal explanation.

Second. The bill requires the seller or lender to give the total of the finance charges in dollars and cents, and this total of the finance charge must include all the charges incurred by the borrower for the extension or use of credit. The total finance charge must include loan fees, service and carrying charges, discounts, interest, time price differentials, investigators' fees, and all other charges incident to the use of credit. However, with respect to real estate transactions the definition of finance charge would not include such charges as title examination and insurance, preparation of deed and settlement statement, recording of deed, taxes and assessments, fire and casualty insurance, local transfer or ad valorem taxes, notarizing deed, and revenue stamps as such charges are clearly not incident to the extension of credit. Those charges are paid whether one borrows or not.

Third. This finance charge must be stated as an annual percentage rate.

There are other related requirements, and, of course, the necessary authority for the responsible administrative agency to carry out the act, allowance for certain exceptions, definitions, and provisions for civil and criminal penalties. But these disclosure requirements are the

heart of the truth-in-lending bill and they constitute protection for the consumer and the ethical businessman against the deceptive practices I have cited.

PREVIOUS OBJECTIONS TO TRUTH IN LENDING LEGISLATION

Mr. President, I should mention some of the criticisms that have been made of this legislation in the past.

It was charged that an annual interest rate is too difficult to compute. In the many years—I should say several years, but it seems as if it has been many years—that I have been sitting on the Committee on Banking and Currency, and attending hearings in connection with this bill, the complaint has been that it is impractical and that it is too hard to compute.

This may have been true years ago, but the development of computers has made it possible for interest or finance charges to be stated as an annual percentage rate simply and quickly by computer written tables. Financial publishing houses are able to publish simple tables giving all the information required by the Truth in Lending Act and which can be used for nearly every conceivable lending situation.

The complaint that disclosure of the annual rate would be a burden on the sales clerk has been set to rest by the testimony given to our subcommittee by Under Secretary of Commerce Edward Gudeman. Mr. Gudeman, who had years of experience as a retailing executive with Sears, Roebuck said:

We must realize that consumer credit extenders begin by setting all their charges individually and in total on an annual rate basis. This means that the businessman in setting his charges works backward from an annual rate determined in light of his own financing costs and the behavior of his competitors. This being so it is difficult to understand why the average businessman cannot easily state the annual rate implicit in his total rate charges.

So the point is that most businessmen already start with rate tables which tell them the terms which will yield the return they desire.

I also point out in this connection that this bill does not require an exact statement of the annual rate accurate to several decimal places. We changed the bill in this respect from the bill last year and the year before. We seek a statement of the approximate rate. The bill explicitly provides in section 5 that the administering agency may "prescribe reasonable tolerances of accuracy."

Second. The complaint was sometimes made that the annual percentage rate requirement cannot "be anticipated." Last March, for example, in the CBS report program on consumer credit, a spokesman for the opposition to the bill made the following argument:

It is difficult to comply with the law by reason of the fact that the transactions are not as simple as the law anticipates they would be. For example, if you were to come in and borrow a thousand dollars and tell me that you were going to repay it over a period of twelve months and that you wanted to make your payment on the 15th of each month and that the rate was six dollars per one hundred dollars face amount of loan, I could very easily compute what the simple interest equivalent would be.

However, suppose the first month you were late five days. I can't anticipate that in advance. The second month you're early three days. The third month you're late eleven days. You can see how impossible it would be for me to tell you at that very first instance when you were signing the note what the simple interest equivalent would be.

Mr. President, the truth-in-lending bill does not require disclosure of the annual rate in the circumstances this spokesman described. Nonthreshold questions, that is those applying to circumstances not anticipated in the contract, would be left to the State law under my bill, although I do include a requirement that the borrower be told the penalties for prepayment or late payment or other violations of the contract. In other words, this frequently cited objection to truth in lending is wholly irrelevant. The bill's requirements apply to the agreement made in circumstances like that of which the spokesman said:

I could very easily compute what the simple interest equivalent would be.

Third. It has been argued that sellers, if they are required to state the annual percentage rate, will conceal the finance charge by increasing the cost of the product or services. Of course, the first thing to be said about this is that it is no argument against truth in lending with respect to cash loans. But even with respect to the sale of products and services, this would be a self-defeating practice. The seller who tries to do this will simply price his goods out of the market.

A witness before our subcommittee, when pressed with this objection—and he was a businessman—retorted that the businessman who resorts to this tactic is “precisely the man against whom I want to compete.” In other words, the ethical competitors could advertise and offer a lower price for merchandise and the consumer who wants to shop for the best buy will give the seller his business. Of course, this bill is not intended to protect the consumer against his will. The consumer who is not interested in making his money go further will retain his “right” to be fooled by the unethical businessman.

I point out also, that the present system penalizes the ethical businessman. If the unethical seller can advertise ridiculously low prices but make huge profits through hidden finance charges, then his ethical brother either must adopt his tactics or lose business. As I have often said, the truth-in-lending bill is intended to help the businessman as well as the consumer.

Fourth. Some have objected to the bill on the ground that consumers “do not care what they pay in finance charges.” The evidence overwhelmingly refutes this absurd charge. I know very few people who do not want to make their money go as far as possible and who do not try to shop for at least a “good buy.”

Moreover, I point out that the truth in lending bill will be an important educational tool as well as a protective tool. Once the confusion with respect to finance charges is dispelled, people will not find it so forbidding a task to ask and determine what they are being asked to pay for credit. I have never claimed

that the truth in lending bill will solve this problem for the poor and uneducated. But it will be an important foundation for consumer education and will at least afford an opportunity to help those of limited education to understand finance charges. Obviously, they are prevented from understanding them now.

Moreover, these arguments of disinterest in truth in lending on the part of consumers have finally been put to rest. Whenever the principle of truth in lending has been submitted to the people, it has been endorsed by an overwhelming margin. Polls have been conducted by eight Congressmen from all parts of the United States in which support for truth in lending varied from 88 to 95 percent.

These polls were conducted in Republican districts, Democratic districts and in well-to-do districts, as well as in districts in which income was low. The American consumer needs truth in lending—the American consumer wants truth in lending, and I intend to do all in my power to see that this bill passes the Congress.

Some of the congressional districts previously mentioned were predominantly lower income and Democratic, but several were relatively wealthy and predominantly Republican districts. Let me just give the percentage in each case indicating the proportion that approved enactment of truth in lending, along with the name of the Congressman whose district was polled.

In Congressman DONALD RUMSFELD's Illinois district, 91 percent were in favor of truth in lending; Congresswoman FLORENCE P. DWYER's New Jersey district, 92.5 percent; Congressman DONALD M. FRASER's Minnesota district, 86 percent; Congressman RICHARD L. OTTINGER's New York district, 95 percent; Congressman JEFFERY COHELAN's California district, 89.5 percent; Congressman LEE H. HAMILTON's Indiana district, 83 percent; Congressman JOHN CONYER's Michigan district, 89 percent, and Congressman Ken W. Dyal's California district, 92.4 percent. The facts seem to show that this is the most popular proposal pending in the Congress.

Fifth. It has been charged that disclosure of the annual percentage rate will retard sales. Absolutely no evidence has been given to support this allegation. In fact, I think it much more logical that the bill will stimulate even greater use of consumer credit because people will no longer be frightened by its mysteries. Moreover, many consumers are likely to shift their borrowing from high cost rates to low cost rates. Thus, they will have additional purchasing power with which to buy more. It is certainly my intent—and I am confident that it will be the effect of the truth-in-lending bill—that businessmen will be helped by its provisions.

Sixth. There have been objections to including revolving charge accounts under the annual rate requirement. My revised formulation of this requirement, in my opinion, has solved these objections very simply. All my bill will require is that the contract and the periodic statements must indicate an annual percentage rate determined simply by multiplying the periodic rate—for example, a

monthly rate—by the number of periods per year. In other words, for revolving credit, the disclosure is not of the precise annual rate which was applied, but of the annual rate which forms the basis for the periodic rate which is to be applied. If the finance charge is 1½ percent per month, the bill simply requires that the statement indicate the annual percentage rate as 18 percent. This is a sufficiently close approximation to protect the consumer.

ADMINISTRATION SUPPORT

President Lyndon B. Johnson most succinctly stated the case for the truth-in-lending bill in his 1964 consumer message in which he said:

The antiquated legal doctrine, “let the buyer beware,” should be superseded by the doctrine, “let the seller make full disclosure.”

In that message President Johnson recommended enactment of the truth in lending bill, just as had President John F. Kennedy in his March 1962 consumer message.

In 1966, President Johnson urged the Congress to pass truth in lending legislation in three messages: namely, in his state of the Union address, in his Economic Report to the Congress, and in his message on consumer interests. In the latter message he said:

I, therefore, renew my recommendation for legislation requiring retailers to state the full cost of credit, simply and clearly, and to state it before any credit contract is signed.

Mr. President, President Johnson's message so well states the need for and the intent of this legislation, that I ask unanimous consent that the relevant portions of this message be printed as an appendix to my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 4.)

Mr. PROXMIRE. Mr. President, President Johnson once again reaffirmed his endorsement of truth in lending in his 1967 state of the Union message. The President said:

We should do more to protect the consumer. We should demand that the cost of credit be clearly and honestly expressed.

RECENT DEVELOPMENTS

Mr. President, there have been a number of very hopeful developments with respect to truth in lending in recent months.

A significant advance in protecting consumers occurred last July 1, when the Department of Defense put into effect their truth-in-lending directive. This directive, in essence, provides truth-in-lending protection for servicemen and their families. It does so by saying to lenders and credit sellers that if they expect to use military channels to collect debts owed to them by servicemen and their families, they must make truth-in-lending disclosure. This full disclosure would include both the total dollars charge for credit and a statement of this charge as an annual rate.

The establishment of this protection for servicemen was a needed and just step. The subcommittee of the House Banking and Currency Committee has revealed devastating evidence that our servicemen are among the chief victims of unscrupulous lenders. Moreover, the implementation of this directive has

shown that the annual rate requirement is not all that difficult to meet. The method for determining the approximate annual rate under this directive is the same as I have postulated as a basis for the truth-in-lending bill. The Department of Defense directive includes a table for determining the annual rate which has been constructed by the actuarial method. No undue difficulties have been reported in the implementation of this directive or in the use of these tables.

Mr. President, one of the most encouraging developments in the last year has been the action of the State of Massachusetts to enact and to put into effect the full protections of truth in lending for the people of that State. The Legislature of the State of Massachusetts passed and the Governor signed into law two truth-in-lending bills.

I might add that the distinguished junior Senator from Massachusetts [Mr. BROOKE] was a leading force in securing the enactment of these bills and he has been a great champion of truth in lending. The first, an "act requiring the disclosure of finance charges in connection with extensions of credit" requires, among other things, the disclosure of the cost of consumer loans both in dollars and as an annual rate. The second act, the Retail Installment Sales Act, gives similar protection to retail installment sales.

These bills were overwhelmingly passed by the Legislature of the State of Massachusetts and the country owes them a great debt for their magnificent leadership.

A very interesting and precedent setting development occurred only last December 18. On that date, the four Government agencies that regulate banks and savings and loan associations announced a new standard to be followed by banks and other lending agencies. This standard, intended to outlaw misleading claims about the rates of interest paid to depositors, has as a principal requirement that the interest rate paid to borrowers or shareholders must be stated in terms of the simple annual rate of interest. That is precisely the point behind my assertion that the consumer has the right to know the cost of credit as an annual rate. When we lend money to a financial institution there is usually no complaint about telling us the annual rate. They do not say such a requirement is unworkable. But when we borrow money, then we are denied this simple statement of fact.

I ask this question: Why is it workable to tell the annual rate to depositors, but unworkable to tell the annual rate to borrowers?

Mr. President, in conclusion, I cite again as a hopeful development the new evidence of extremely hot pursuit by the American public of this legislation. The congressional polls which I have cited show that this is one of the most highly desired, if not the most highly desired, reforms before the American Congress. I do not believe that Congress can keep faith with the American people and at the same time refuse to explore thoroughly this question in the coming weeks.

I wish to make it very clear that I make no across-the-board charges

against American businessmen and that I am not seeking regulation of interest rates. My motivation is quite the contrary in both cases as I have already disclosed. I ask now that hearings on my bill be authorized to be held as soon as it is feasible. The evidence is overwhelming, but I think all members of the Banking and Currency Committee will be willing to look anew at all evidence that may be presented to us. I think the members of the committee will want exhaustive testimony and staff investigation. We do not intend to act hastily, but we do intend to act promptly, equipped with the facts.

In conclusion, I wish to call to the attention of the Senate, the new report to the President from the Consumer Advisory Council entitled "Consumer Issues, 1966." Mr. President, I ask unanimous consent that the following portions of this report to the President dated June 12, 1966, be printed in the RECORD at the close of my remarks. First, the list of members of the Consumer Advisory Council; and second, the statement of credit which appears on pages 29 through 32.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 5.)

Mr. PROXMIRE. Mr. President, in their summary of resolutions and recommendations, the Consumer Advisory Council "again emphasizes the necessity of legislation to require truth in lending as a part of any effort to correct the Nation's credit ills."

I join with the Consumer Advisory Council in this emphasis. I believe enactment of this legislation is clearly a necessity. I hope that its introduction today by my colleagues and me will prove to be the beginning of the final effort to provide this necessary protection to consumers which was so nobly initiated by our dear former colleague, Paul H. Douglas.

EXHIBIT 1

HOW MUCH DO YOU PAY FOR THE MONEY YOU BORROW?

FOREWORD

In the days ahead the term "Simple Annual Interest Rate" will come into common use in connection with installment loans and credit transactions of various types. This booklet has been designed to provide a better understanding of the term and what it means to you as a borrower. While simple annual interest rate in many instances reflects a change in the manner of expressing a price for a loan it does not follow that you will be paying more in dollars and cents than you have been accustomed to paying in the past. We hope you find the explanations in the booklet informative and helpful.

INTEREST AND THE COST OF A LOAN

When you borrow money there are two factors in the cost that are important to you. One is the simple annual rate of interest and the other is the cost of the loan in terms of dollars and cents. Many people believe that the simple annual rate of interest and the charge expressed in terms of dollars per \$100 per year are identical, and in certain instances they are, but in many more they are not and have to be considered separately.

Whether you borrow from a bank or finance company, or arrange financing with a retailer of goods or services, find out both the simple annual interest rate and the dollar cost of the loan. A bank must make many kinds of loans to serve widely differing

needs. Charges are commensurate with the kind of loan you need and should have.

EXAMPLES

If the finance or credit charge is added to the beginning amount owed and is included in the 12 equal monthly payments, commonly referred to as the "add on" method, the simple annual interest rate is: If charged:

If charged:	Percent
\$4.50 per \$100-----	8.31
\$5 per \$100-----	9.23
\$5.50 per \$100-----	10.15
\$6 per \$100-----	11.08

If charged only on the unpaid amount owed: $\frac{3}{4}\%$ per month, 9%; 1% per month, 12%; $1\frac{1}{2}\%$ per month, 18%; 2% per month, 24%.

Let's take three types of bank loans and see how this works out:

SINGLE PAYMENT LOAN

This type of loan is generally written for large amounts and is usually identified with business loans, but it is the one type loan where the simple annual rate of interest and the annual dollars and cents charge for each \$100 borrowed are identical so we use it for comparison purposes.

Let's suppose you could borrow \$1,200 for a year at 6% interest to be paid in a single payment at year's end: Amount of loan, \$1,200.00; term of loan, 1 year; charge for loan, \$72.00; simple annual interest rate, 6%; dollars per \$100 per year, \$6.00.

INSTALLMENT LOAN

Here we take a \$1,200 loan at a charge of \$6.00 per \$100 per year, but instead of a single payment at year end, the loan is to be paid off in 12 equal monthly instalments. Now we find, that although the dollars and cents charge for the loan is the same, namely \$72.00, the simple annual interest rate is not 6% but figures out to 11.08% based on the premise that you have had the use of approximately only half the original amount for the full year: Amount of loan, \$1,200.00; term of loan, 1 year; charge for loan, \$72.00; simple annual interest rate, 11.08%; dollars per \$100 per year, \$6.00; monthly payments 12 at \$106.00.

FORMULA FOR SIMPLE ANNUAL INTEREST RATE

The formula for calculating the simple annual interest rate is defined by state law and is as follows:

$$\text{Rate} = \frac{2 \text{ PC}}{A(N+1)}$$

Legend:

- P=Payment periods in one year
- C=Finance Charges
- A=Loan Principal
- N=Number of Instalments

Using the previous installment loan example of \$1200 borrowed for one year at \$6.00 per \$100, the loan to be paid off in 12 equal monthly instalments, the annual rate of interest as determined by the formula would be:

$$\begin{aligned} \text{Annual interest rate} &= \frac{2 \times 12 \times 72}{1,200(12+1)} = \\ &= \frac{24 \times 72}{1,200 \times 13} = \frac{1,728}{15,600} = 11.08\% \end{aligned}$$

REVOLVING CREDIT OR CASH RESERVE LOAN

Of course you know about revolving credit. You can get it at some banks and it is popular at some of the stores. Briefly, a line of credit is agreed upon and you can borrow money or buy things as needed without applying for the credit each time. The interest or carrying charges on accounts like these are usually stated as a monthly percentage on the unpaid balance. So, if the rate is 1% per month it means that you pay a simple annual interest rate of 12% for the service. A nice thing about these accounts is the reserve feature which makes credit available without charge, and their flexibility. You can pay the whole thing off whenever you like. This cuts down your interest cost. For example: If you used \$100 worth of credit

for one week, the charge would be 23¢; one month \$1.00—six months \$3.50—but, as previously stated, the simple annual interest rate is 12%.

WHY DO INTEREST RATES VARY?

At this point it is certainly fair to ask why there are different charges for different kinds of loans.

To start with a very simple definition of interest:—"The rent one pays for hiring someone else's money." In the first place, the bank as the lender has to rent the money it lends and pays a price in the form of service or interest or both. In addition to the rental charge paid by the bank, the principal factors affecting the different loan charges to the borrower are: the size of the loan; the type of loan—secured, unsecured, partially secured, and the risk involved; the amount of employee time and paper work.

THE SIZE OF THE LOAN

Small loans command a higher interest rate than large ones, just as you must pay a higher price for anything you buy in small quantities. It is particularly true in lending money. One borrower may negotiate a loan for \$100,000 and the transaction may not require as much handling expense or risk as another borrower who might want \$1000. Obviously, processing one hundred loans of \$1000 each is far more costly for the bank.

THE RISK INVOLVED

In general, installment loans fall into two classifications—unsecured and secured. The latter are sometimes referred to as collateral loans. In unsecured loans the lender's risk depends upon the character, earning ability and financial condition of the borrower; in collateral loans the marketable assets the borrower assigns reduce the lender's risk. Single payment loans may be unsecured or secured by such highly liquid assets as life insurance cash value and readily marketable securities. Installment loans may be unsecured or secured. When the loan is secured with an asset such as a chattel mortgage—frequent in the case of auto loans—the loan is more costly to handle than one secured with readily marketable securities. Revolving credit loans are usually unsecured.

EMPLOYEE TIME AND PAPER WORK

The amount of administrative work entailed also has an influence on the charge. A single payment loan represents a minimum of administrative work for the bank. An installment loan, requiring monthly notification of payments due, keeping a running balance of the payments, more comprehensive audit controls, issuing coupon books or other convenient payment forms, and posting payments—separating interest and principal—each month, is obviously more expensive. Also, installment loan borrowers usually like to have life insurance covering their unpaid loan balance (a feature not included in single payment loans).

The revolving credit loan is even more expensive to administer because of its flexibility. It can be paid in monthly installments or in a lump sum at any time at borrower's option. It can be paid in part and then at the borrower's option can be increased to the full extent of borrower's reserve. It would be possible to have daily transactions involving small amounts of money which obviously are very expensive to administer.

USE YOUR CREDIT WISELY

For many years people have made wise use of their credit to borrow money and to buy goods and services. Installment credit has proven to be a sound and sensible way to meet these needs.

One thing you can be sure of if you are going to borrow money is that it will pay you to shop. Any kind of installment buying involves borrowing money, and in most cases the important information is how much is the loan costing you. The simple annual in-

terest rate will help you determine this cost when you are shopping.

In the final analysis, your best protection on any kind of loan is to do business with people you know and trust.

EXHIBIT 2

CASES FROM THE HEARINGS ON THE TRUTH-IN-LENDING BILL

1. A woman with four children to support on \$44 a week, was persuaded through appeal to parental pride to purchase, on time, a \$600 accordion for her daughter, whom the local "conservatory" of music insisted had great talent. Within months, the conservatory reported the daughter had "such exceptional talent" an \$1,800 instrument would be necessary. The carrying charges alone came to \$400, a simple interest rate of 20 percent per year. When finally the poor woman reached the edge of bankruptcy, she discovered she could have bought the \$1,800 instrument elsewhere for only \$400, and at half the rate of interest. She finally settled for a loss of \$383.

2. A typist in the Justice Department, Washington, D.C., who became deeply involved with personal loans from bank and finance companies because of family illness, ultimately reached the end of her ability to pay. In reviewing all the special loan charges, the refinancing costs, the required insurance, and the original high—but unstated—finance charges, the young lady found she had been paying more than 40 percent per year in simple interest.

3. A credit union manager recounted the case of an experienced FBI agent in Washington, D.C., who was certain the proposed financing of his automobile would cost him 4 percent. On carefully rechecking the figures, he was amazed to find the true interest rate was more than 20 percent per year.

4. Still another documented case was presented to the subcommittee in which a customer had purchased a television set for \$285.55, to be paid at the rate of "about \$14 per month." No mention of the interest or finance charge was made, either verbally or in writing, and even the number of months the customer would have to pay was not mentioned in the contract. After faithfully paying, on time, a total of \$147.30, the customer discovered that to pay off the balance would cost him \$206.22. So he actually paid \$67.97 in credit charges, or more than 33 percent per annum simple interest.

5. In New York one witness testified that he bought furniture from a local furniture store for \$389. Later he received in the mail a statement showing that he owed \$588, to be repaid in monthly installments over 24 months. In other words, he was charged \$199 for credit for 24 months.

We were shocked to learn that this amounted to an interest rate of 49 percent per year. If this witness had known that an interest rate of 49 percent was being charged him, I doubt that he would have purchased the furniture from this store.

6. Another witness in New York bought a bed for \$200 from a furniture store. He was told that he would be charged an additional \$76 for interest. However, his contract required him to pay back \$23 per month for 2 years. We figured the true interest in this case was 163 percent per year.

7. A third witness in New York bought a television set on credit for 30 months. We figured out the interest rate on this transaction, and it turned out to be 143 percent per year. We asked the witness whether, had she known the interest rate which she was being charged, she would have signed the contract. The witness replied: "Never in my life."

8. In Pittsburgh a witness testified that he borrowed \$900 from a small loan company and was told that his monthly payments would be \$58.10 for 24 months. We figured

the interest rate in this case, and it turned out to be 52 percent per year. Would you have signed this contract if you had known that you were being charged 52 percent interest?

EXHIBIT 3

COMMENTARY ON PROXIMITY TRUTH-IN-LENDING BILL

TITLE

Section 1 provides that the Act shall be cited as the "Truth in Lending Act."

PURPOSE

Section 2 declares the purpose of the bill as follows:

"The Congress finds and declares that economic stabilization would be enhanced and that competition among the various financial institutions and other firms engaged in lending or the extension of credit would be strengthened by the informed use of credit for the acquisition of property and services. The informed use of credit results from an awareness of the cost thereof to the user. It is the purpose of this Act to assure a full disclosure of such cost with a view to promoting the informed use of credit to the benefit of the national economy."

DEFINITIONS

Section 3 defines the necessary words and terms. The important definitions are as follows:

"Credit." Note that section 8 of the bill excludes two categories of credit transactions from coverage, namely, the extension of credit to business firms as such, governments, governmental agencies or instrumentalities; and secondly, transactions in securities or commodities in accounts by a broker-dealer registered with the Securities and Exchange Commission. Otherwise, "credit" is defined so as to include all forms of consumer credit including loans of cash and the time sale of goods and services, under both installment and noninstallment repayment plans. Automobile sales and revolving credit accounts are covered.

"Finance charge," which means the sum of all the charges incurred by the borrower for the extension or use of credit and shall include, but not by way of limitation, loan fees, service and carrying charges, discounts, interest, time price differentials, and investigators' fees.

"Total amount to be financed," which means the total credit extended excluding the finance charge.

"Annual percentage rate," which means the percentage rate per period expressed as a percent per annum. It shall be equal to the percentage rate per period multiplied by the number of periods per year.

"Percentage rate per period," which means the percentage ratio of the finance charge for the period for which the charge is made to the unpaid balance of the total amount to be financed.

"Period," which means the time interval between the payments specified in the credit agreement for repayment of the total amount to be financed.

"Creditor." This definition is broadly inclusive like that of "credit." It is intended to include any person engaged in the business of extending credit to consumers regardless of the form of the credit, i.e., the bill applies to consumer loans as well as to the sale or rental of goods or services on a time, credit or installment basis.

"Person." Note again the exceptions in section 8. The definitions of "finance charge," "total amount to be financed," "annual percentage rate," "percentage rate per period," and "period," are (in conjunction with the requirement of section 4) a new formulation of the annual rate requirement. This memorandum will discuss this requirement under its treatment of section 4.

DISCLOSURE REQUIREMENTS

Section 4 is the heart of the bill. Subsection (a) states the disclosure requirements for cash loans and for installment sales other than revolving or open-end credit plans. Subsection (b) states the disclosure requirements for revolving credit plans. Subsection (c) makes it clear that the disclosure requirements apply only to the terms of the contract as written (i.e., only to "threshold" disclosure). If the annual percentage rate disclosed under the Act is subsequently rendered inaccurate as the result of a prepayment, late payment, or other adjustment in the agreement mutually agreed upon by the parties, the inaccuracy is not a violation under section 4.

Lender must itemize all components of the debt

Subsection (a) basically makes three important requirements. First, the person extending credit must disclose all the separate components of the debt being incurred by the borrower. In other words, he must itemize: the cash price or delivered price of the property or service; any amounts to be credited as downpayment or trade-in; each of the charges to be paid by the borrower which are not incident to the extension of credit (for example, the cost of "extras" such as snow tires or a wax job on an automobile); and the total of the cash price minus any credits plus other charges, in other words the total amount to be financed. Second, he must clearly state the amount of the finance charge in dollars and cents. Third, he must clearly state the finance charge expressed as an annual percentage rate which shall not be less than the annual percentage rate computed by the actuarial method. He must also disclose the time and amount of payments scheduled to repay the indebtedness and the terms (penalties) applicable in event of payments advanced or delayed from those specified in the contract. (Disclosures of the time and amount of payments, and of the penalties for early or late payment, were not explicitly covered by earlier bills.)

Section 4 substitutes the term "annual percentage rate" for the term "simple annual rate" used in S. 2275. The annual percentage rate is arrived at by multiplying the "percentage rate per period" times the number of periods in a year. The percentage rate per period thus becomes the basic building block from which the annual rate is determined. This annual percentage rate is the rate to be applied to the unpaid balance of the total amount to be financed.

The use of a percentage rate per period to arrive at the annual percentage rate follows the formula of the actuarial method and eliminates the need to describe the percentage rate of finance charge as a "simple," "effective," "true," "compound," or "nominal" rate. Each of these terms has a slightly different meaning to experts in finance. It also eliminates the need to refer to "actual," "add-on," "discount" and other rate expressions. Avoiding the use of the term "simple" or any other descriptive term avoids semantic disputes and possible difficulties in the administration of the law. The use of such a descriptive term as "simple" also might lead to widespread practices of avoidance by lenders and vendors.

Nevertheless, there is no change in concept and the "annual percentage rate" follows the two basic characteristics of the "simple annual rate": (1) use of the year as the common time unit denominator, and (2) expression as a percentage rate per period of the ratio that the finance charge bears to the money actually used during the period.

In the course of the hearings held in earlier years on the truth in lending bill, experts of various kinds proposed several formulas either to support disclosure of the "simple annual rate" or to show that such a requirement is "unworkable." The constant

ratio, direct ratio, simple-discount, actuarial, simple-loan, residuary, and Merchants' Rule formulas have been considered as methods to disclose an annual rate of finance charge. The basic differences among these formulas are in the assumptions made: (1) regarding the amount to be financed as against the amount to be repaid as the base upon which interest is figured, and (2) regarding the assignment of periodic payments to principal or to interest.

The use of the term "annual percentage rate," based on the periodic rate, will result in the kind of disclosure that the sponsors of the bill have always intended by the term "simple annual rate." The language used in the Proxmire draft of the bill will: (1) permit fairly simple calculations by lenders and vendors, (2) allow the administering agency (or financial publishing houses) to issue easy-to-follow rate tables, and (3) enable consumers to check the charges quoted. This formulation of the annual rate conforms to the rate actually used when finance companies compute their yield on various forms of installment contracts and loans. Instead of asking "How do you figure the rate, given the finance charge and a set of payments?" both the lender and the borrower will ask and easily determine "What are the amounts of the finance charge and payments, given the rate?"

The administrative agency can establish procedures for handling irregularly scheduled payments.

The lender or borrower will easily be able to read out the percentage rate of finance charge from actuarial tables, given the amount of the finance charges in dollars and the number of payments scheduled, running out to any loan duration. And just as easily, the tables can be consulted to read out the amount of the periodic payments, given the percentage rate, the time and the principal.

Even the most complicated payment scheme can be handled. For instance, tables can be worked out for the following type of situation: A buyer of consumer goods wishes to delay payments for 30 days, avoid payments around income tax and vacation time and wishes to enlarge payments when dividends or bonus compensations are expected. In such a chaotic situation a daily rate may be selected, and a schedule of payments developed applying the rate to the outstanding balances for the days between payments. With the assistance of the consumer finance industry, the Board can develop uniform methods to provide for unusual situations and to establish tolerances of accuracy in stating the information required to be disclosed.

It should also be noted that both the term "annual percentage rate," based on a periodic rate, and tables using the actuarial method are consistent with the Instant Rate Converter Wheel put out by CUNA, and with the Household Finance Corporation's "Consumer Credit Cost Calculator." The actuarial method, which the sponsor and finance experts consider to be the best method of calculating annual percentage rates of finance charges, is itself grounded in the so-called "United States Rule." This rule requires that each periodic payment is to be applied first to the interest for the period, with the remainder of the payment applied to reduce the principal outstanding. (See *Story v. Livingston*, 38 U.S. 359 (1839).)

Revolving credit accounts

Section 4(b) provides a simplified way to handle revolving or open-end credit accounts (in which commonly a department store permits a customer to charge purchases up to a specified maximum amount, repaying an agreed upon minimum each billing period—usually a month—with a "service charge" applied periodically to the amount owed). Persons extending such credit would be required to disclose the periodic percentage rate of finance or service charge, the periodic date when a finance charge will be imposed,

and the annual percentage rate of the finance charge. The complaints voiced earlier about the unworkability of requiring such disclosure for revolving credit are eliminated by providing that the annual percentage rate for the purpose of this requirement is determined simply by multiplying the periodic rate by the number of periods per year. "Period" is used rather than "month" to give maximum flexibility to businessmen in their determination of the way they construct their revolving credit plans. This manner of determining what is called the "annual percentage rate" in connection with revolving credit avoids the difficulties which would arise in determining an exact rate of finance charge under varying amounts of debt, varying payments schedules, and varying methods of applying the charge to the debt.

This subsection also requires the creditor to furnish to the borrower, as of the end of each period: a clear statement in writing of the outstanding balance; any additions to the debt; the total received in payments; the outstanding unpaid balance of the account as of the end of the period; the annual percentage rate used to compute the finance charge for such period; the balance on which the periodic finance charge was computed; and the finance charge, stated in dollars and cents, imposed for the period.

While many stores provide a periodic and itemized statement of some of this information, it is clear from testimony and information received that none disclose an annual percentage rate of finance charge and some fail to make clear what balance the finance charge is applied to and even what periodic rate of finance charge is used.

Only threshold disclosure is covered

Section 4(c) is important and should be read in connection with the penalties in section 7. Section 7 provides that no person shall be entitled to recover civil penalties "solely as a result of the erroneous computation" of the annual percentage rate if the percentage disclosed "was in fact greater than the percentage required" by section 4 or the regulations prescribed by the Board.

In a CBS television documentary program on consumer interest last year, a spokesman for opponents of the bill said the truth in lending bill was unworkable because of the impossibility of stating an accurate annual percentage rate when the borrower repays earlier than scheduled or misses payments, etc. But this is a wholly inapplicable criticism, because S. 2275 and this bill specifically provide that the disclosure of an annual rate applies to the agreed upon terms of the contract, not to violations or irregular payments not anticipated by the contract.

FEDERAL RESERVE BOARD REGULATIONS

Section 5(a) provides that the Federal Reserve Board, as the administering agency, shall prescribe the rules and regulations necessary to carry out the Act. Among these would be the methods which may be used in determining the annual percentage rate in ordinary cases and in irregular payment situations. It would have been possible, of course, to establish in the Act the formulae or methods which are to be used. The Massachusetts Legislature did this in their truth in lending bills by specifying that the "constant ratio" formula, which the State Act specifically spells out, be used.

But, as discussed above under section 4, the sponsor believes that the actuarial method is the best method for computing the annual percentage rate. This method is commonly recognized in the home mortgage, service and investment fields where the actually expressed rate is applied to the unpaid balance. Since it is now possible to rapidly develop and reproduce tables to cover any given set of credit terms, it is expected that the Board will publish or authorize the financial publishing houses to publish official tables which would be used by lenders to conform with the Act. The Board would

prescribe reasonable tolerance of accuracy with respect to disclosing information under section 4. Despite charges made against the bill, it clearly is intended to require only a fair and approximate statement of the annual rate. It does not require the statement of an annual rate exact to several decimal places.

The Board also is to establish rules to insure that the information disclosed under the Act is prominently disclosed so that it will not be overlooked.

Section 5(b) would have the Board request the views of other agencies and (c) authorizes the establishment of an advisory committee.

STATE LAWS

Section 6 provides that the Act shall not be construed to annul or to exempt any creditor from complying with the laws of any State relating to the disclosure of credit information, "except to the extent that such laws are thoroughly inconsistent with the provisions of this Act in regulations issued thereunder." Under subparagraph (b) the Board may exempt credit transactions or classes of credit transactions which it determines "are effectively regulated under the laws of any State so as to require the disclosure by the creditor of the same information as is required under section 4 of this Act."

CIVIL AND CRIMINAL PENALTIES

Section 7(a) provides for civil penalties and (b) for criminal penalties for violations of the Act. The sponsor expects that once instituted the Act will be "self enforcing," mainly, under the civil penalties section.

EXEMPTIONS

Section 8 exempts from the provisions of the Act credit extended to business firms and governments, and securities transactions. The exemption of coverage for business credit raises some difficulties. How shall a farmer be treated, for example? It would be possible to: (1.) exclude protection for him completely; (2.) identify the classes of credit which are "consumer credit" and to be covered (for example, a passenger automobile, even though used partially for business purposes, would be covered, while a milking machine would not); or (3.) attempt to determine on an item by item basis if the loan, article or service is a consumer item and therefore covered. Also, there are those who believe that the owner-operator of a small business ought to have this protection and that, therefore, businesses with a gross income or investment under a specified amount should be covered.

EFFECTIVE DATE

Section 9 provides that the Act shall take effect 180 days after enactment (6 months), except that the Board would prescribe the rules, request the views of other agencies and establish the advisory committee immediately under section 5.

EXHIBIT 4

EXCERPT FROM THE PRESIDENT'S 1966 MESSAGE ON CONSUMER INTERESTS

TRUTH IN LENDING

Every consumer and every business in America benefits from our system of consumer credit. Credit and the economy have grown together. Last year merchants, lending companies, and financial institutions extended about \$75 billion in new installment credit to consumers.

Consumer credit:

Permits purchase of many of the goods and services which enrich the quality of American life—the homes, the automobiles, and household appliances we buy.

Finances the costs of higher education, travel, and other activities which broaden and develop the human spirit.

Relieves suffering and distress by spreading major medical expenses over a period of time.

Enables our young families to acquire and furnish homes early in life when good housing is most needed and best enjoyed.

Over the years, this system has worked well. Lenders charge reasonable rates. Borrowers repay their debts promptly. But a minority of unscrupulous operators charge all that the traffic will bear. They wring from the unwary purchaser a price far higher than the credit market requires.

The right of the consumer to know the actual cost of his credit has been ignored for too long. Credit is a commodity. The consumer has just as much right to know the cost of borrowing money as to know the price of any other article he buys.

Credit charges are a key item in the consumer budget. They totaled \$25 billion last year. It is important that consumers be able to plan their budgets wisely—and prudently—in this important area.

Yet, many consumers had no information on how these credit costs relate to the cost of the article being financed.

They were confused by statements of credit rates described in unusual or even misleading terms.

They unknowingly paid higher prices for credit than reputable lenders were charging.

We must protect and inform the consumer in his use of the consumer credit system. Our credit structure will be sounder when the consumer has this information.

I therefore renew my recommendation for legislation requiring lenders to state the full cost of credit, simply and clearly, and to state it before any credit contract is signed.

This legislation will help consumers:

Budget their incomes more intelligently, because they will know the price of credit in the same clear terms as the price of milk or gasoline.

Compare credit costs so they shop for the best combination of quality and price including all of the charges involved.

Avoid unscrupulous lenders who use excessive credit charges and other sharp practices.

This legislation will also help the legitimate lender by offering protection against any competitor who seeks to gain business by misrepresenting credit costs. It will insure the fair and effective competition that legitimate lenders desire.

It will not regulate the cost of credit itself, or interfere with existing laws.

It will not reduce the volume of credit.

It will not dampen the vigor of consumer buying.

This legislation will right the balance of legal protection between lenders and borrowers.

I urge the Congress to act to insure that the American consumer is given a clear price tag when he shops for credit.

EXHIBIT 5

MEMBERS OF THE CONSUMER ADVISORY COUNCIL

Chairman: Richard H. Holton, Professor of Business Administration, University of California, Berkeley, California.

Mr. David W. Angevine, Public Relations Director, Cooperative League of the U.S.A., Washington, D.C.

Miss Genevieve Blatt, Secretary of Internal Affairs, State of Pennsylvania, Harrisburg, Pennsylvania.

Dr. Dorothy Brady, Professor of Economics, University of Pennsylvania, Philadelphia, Pennsylvania.

Dr. W. Palmer Dearing, Executive Director, Group Health Association of America, Washington, D.C.

Honorable Bronson C. La Follette, Attorney General, State of Wisconsin, Madison, Wisconsin.

Mrs. Florence Low, Assistant Director for Extension Home Economics, Texas A&M University, College Station, Texas.

Mr. Sidney Margolius, Columnist, Port Washington, New York.

Mr. Kenneth J. Marin, Chairman, Department of Economics and Business, Aquinas College, Grand Rapids, Michigan.

Rev. Robert J. McEwen, S.J., Chairman, Department of Economics, Boston College, Boston, Massachusetts.

Mrs. Helen Nelson, Consumer Counsel, State of California, Sacramento, California.

Miss Mattie Waymer, Chairman, Department of Home Economics, Morris Brown College, Atlanta, Georgia.

CREDIT

In 1945 consumer debt was less than \$6 billion, one-fortieth the size of the Federal debt. High incomes during the war years, combined with shortages of consumer goods, had led consumers to reduce their debt to a very low level. Last year, consumer debt stood at \$86 billion¹⁷ and one-third the size of the Federal debt. As a share of disposable income, consumer credit rose from 10 percent in 1950 to 18 percent in 1965.

While many families use credit wisely, too many must wage a continuous, uphill battle to keep on top of their debts. While most of them do not go bankrupt, last year, nine of 10 bankruptcies—170,000—were incurred by families and individuals. The number of persons who are overextended cannot be accurately measured, but the bankruptcy statistics suggest a problem that cannot be ignored.

For the wary and well-to-do as well as the unsophisticated and economically despairing, present-day practices make it almost impossible to make intelligent decisions about credit. Various methods of stating consumer credit costs confuse, confound, and often mask the true financing cost. In an ideal credit transaction, the debtor is told the accurate price of credit and the charges are stated as an annual rate. More frequently, instead of the ideal, the following practices are employed:

The price of credit is given as a simple monthly rate which on a true annual basis amounts to 12 times the monthly rate.

The borrower is quoted an add-on or discount percentage rate. That is, he is quoted a rate on the original amount of credit rather than on the periodic declining balance. The true interest rate is approximately twice the so-called add-on or discount rate.

The consumer is quoted an add-on or discount rate plus numerous extra fees. In this case, the true annual rate is considerably more than twice the quoted rate.

No rate is quoted; the borrower is only told the amount down and the amount due each month.

TRUTH IN LENDING

The Truth-in-Lending Bill (S. 2275) re-introduced by Senator Paul H. Douglas (D-Ill.) on July 12, 1965, would require creditors to state the total finance charge both in dollars and cents and as a true annual percentage rate due on the outstanding unpaid balance.

S. 2275 protects the businessman as well as the consumer. Certainly, the public benefits when public policy provides rules which enhance vigorous price competition. The disclosure of true costs of credit will give the ethical lender a strong competitive position against sharp operators who make misleading claims. Under the Douglas bill, lenders would have to compete on the basis of fully disclosed rates.¹⁸

¹⁷ Excluding mortgage debt for 1- to 4-family houses of \$213 billion.

¹⁸ With a bill enacted in the spring of 1966 and due to become effective November 1, 1966, Massachusetts took the lead among the States in effective credit legislation. The bill requires full disclosure in all installment transactions, and dollars-and-cents disclosure in revolving credit sales. In addition, it limits interest rates, gives buyers a full business day to change their minds about purchases from door-to-door salesmen, requires

Recognizing that consumers are beset with many problems in the credit area, in addition to those covered by the Truth-in-Lending Bill, the Council adopted the following resolution:

Whereas, Every Consumer Advisory Council since 1962 has strongly endorsed truth-in-lending legislation; and

Whereas, Widespread misrepresentation of interest rates, vaguely worded credit contracts, unscrupulous repossession methods, trick balloon payment clauses, high pressure door-to-door selling tactics, unconscionably high rates for credit, unregulated services by debt consolidation companies, and severe garnishment laws, to name but a few, all can and do work severe hardships on consumers;

Therefore, be it resolved that, the Consumer Advisory Council again emphasize the necessity of legislation to require Truth in Lending as a part of any effort to correct the Nation's credit ills;

Be it further resolved that, The Consumer Advisory Council recommend that each State review its existing laws in these areas to determine their adequacy in protecting consumers;

Be it further resolved, That the Administration and the Congress begin concurrently with the States to explore the feasibility of regulating these activities.

The National Conference of Commissioners on Uniform State Laws is studying and developing a uniform code governing consumer credit transactions. The Council awaits the results with great interest, for this presents an opportunity to cure many serious ills in consumer credit.

LOOKING AHEAD

The credit situation in America today demands a study in depth of all problems, and on the broadest scale practicable, from the viewpoint of the consumer. It should cover the following:

Examination and evaluation of the work of the National Conference of Commissioners on Uniform State Laws regarding consumer credit;

Attitudes towards credit, such as consumer concepts of usury; credit for the poor; the "6 percent myth" and its implication; and, the position of the cash buyer in the credit market;

Problems surrounding the extension of credit, with a comprehensive review of the relations between creditor and prospective debtor prior to execution of the contract; ways of improving the tone and appeals of inducements to borrow—advisability of minimum standards for advertising which solicits the use of consumer credit; considerations involved in permitting the financing of the whole debt vis-a-vis establishing minimum down payments.

The special credit problems of the poor;

The degree and method of regulation by Government (Federal, State or local), whether there is need for a universal (Federal) approach or for differing regulations by States.

Whether licensing is necessary for all credit and lending; what standards would be most meaningful and how to enforce them, especially disenfranchisement of firms that fail to comply with the standards; the degree to which the lending rates and charges should be controlled, including ceilings, if any, to be established.

The need for and feasibility of local credit bureaus where the consumer can get information helpful to him in choosing a creditor;

buyers' rights to be spelled out on the credit contract, tightens repossession procedures, prohibits advertising of percentage finance charges in other than true annual interest and establishes enforcement procedures (Acts 1966, Ch. 284).

Development of a model credit contract and the drafting of general rules governing its use, including recordation;

Methods to improve debtor remedies and defenses against sellers and creditors; the creation of uniform penalty provisions with consideration to punitive damages for intentional fraud; the feasibility of class suits and the group practice of law;

Enforcement posture of the government in all of the above relationships as an effective third party, including remedies as well as sanctions;

Credit counseling, debt pooling, debt adjustment, and safeguards necessary to eliminate conflict of interest in these areas.

BANKER'S SUPPORT FOR TRUTH IN LENDING

Mr. PROXMIRE. Mr. President, since I have introduced the truth in lending bill, the response on the part of the general public has been overwhelmingly in favor of the bill. However, I have also received a letter from Mr. Fortney H. Stark, Jr., president of the Security National Bank of Walnut Creek, Calif. Mr. Stark supports the truth in lending bill and believes that banks will benefit from the enactment of this bill.

I agree with Mr. Stark and would commend his position to the American Bankers Association. Certainly the full disclosure of the cost of credit would enable the vast majority of banks to compete more effectively with high-cost lenders, who, through one device or another, manage to conceal the true cost of their credit.

Mr. President, I ask unanimous consent to have inserted in the RECORD, Mr. Stark's letter together with an excellent pamphlet published by the Security National Bank entitled "What Every Customer Should Know About Borrowing."

There being no objection, the letter and pamphlet were ordered to be printed in the RECORD, as follows:

SECURITY NATIONAL BANK,
Walnut Creek, Calif., January 23, 1967.
Hon. WILLIAM PROXMIRE,
Senate of the United States, Senate Office
Building, Washington, D.C.

DEAR BILL: I hope you won't think it presumptuous of a former constituent and present admirer to submit that the enclosed brochure comes close to what you and Mr. Douglas have in mind.

While I am not sure any of my peers would elect me president of the ABA on this platform, I think banks are in a position to get a positive benefit from your truth-in-lending legislation, and you have my support and encouragement in your efforts. If there is anything I can do in my small way, let me know.

Sincerely,

FORTNEY H. STARK, JR.

WHAT EVERY CUSTOMER SHOULD KNOW ABOUT BORROWING!

INTEREST OR FINANCE CHARGE?

How much do you know about interest, which of course is the "rent" you pay for borrowing money? Did you know that the exact amount you pay depends not only on the rate but also on the way the interest is figured? Often the cost of handling a transaction far exceeds any reasonable interest rate. This is true in our charge card system. Here the account is for your convenience and the merchant makes no charge if you pay promptly. If you wish to extend payments a "fee" is charged—usually $1\frac{1}{2}\%$ per month. This is 18% per year. However, when you realize that the cost of bookkeeping and postage on a \$5 item can exceed the entire value of the item, the charge of $7\frac{1}{2}\%$

for 60 days shouldn't seem too much for the convenience involved. On an auto loan of \$3,000, however, \$45 per month interest would be staggering!

The purpose of this brochure is to explain the manner in which interest is figured in your dealings with Security National Bank.

INSTALLMENT LOANS

This is the most common type of bank loan and is used for personal needs, purchases of automobiles, home improvements, vacations, etc. Here interest is added to the amount of the loan and the total figure is divided by the number of months in your repayment schedule. The result is your monthly payment. You should realize this "add-on" interest is about double the simple interest rate. Interest is figured on the total amount of the loan despite the fact you are periodically reducing it by making monthly payments. Therefore, you do not have the full use of the money for the entire term of the loan.

What do you, the customer, get for this added cost? First, the convenience of making a monthly payment even on relatively small amounts. Next, the right to pay off the loan in advance without penalty, plus the ability to adjust payments, increase the loan, skip a payment, have it automatically deducted from your checking account, as well as having a "line of credit" waiting for your use at a moment's notice! The accounting, billing, credit reviews and personal services necessary to offer these loans is costly—therefore, we charge more than for "commercial" loans.

SIMPLE INTEREST

This is the way the interest is figured on real estate, business (commercial) and some personal loans secured by stocks, life insurance or savings accounts. Typically, these are large loans and, with the exception of real estate loans, must be repaid in less than one year. The usual period is 90 days which is suited to the requirements of our business customers. Businesses use this type of loan to buy inventory, finance seasonal cash needs, and usually the "net worth" of the borrower is many times the amount of the loan—often the cash in the business account is equal to the loan amount. The rate on this type of loan averages about 3% over the current savings rate or 7% to 8% on an annual basis.

COST OF CREDIT

You should be aware of the true cost of credit and shop for it just as you would for any major item. Lenders sometimes disguise costs by stating them as "pennies a day" or " $2\frac{1}{2}\%$ a month" or "low terms."

Here is the true story—if finance charges are "added-on" to the purchase price and the total is repaid in twelve equal monthly payments:

When they say 4 percent per year you pay 7.4 percent per year; when they say 6 percent per year you pay 11.1 percent per year; when they say 8 percent per year you pay 14.8 percent per year; when they say 10 percent per year you pay 18.5 percent per year; when they say 12 percent per year you pay 22.5 percent per year.

If charges are made "only on the unpaid balance":

When they say three-fourths of 1 percent per month you pay 9 percent per year; when they say five-sixths of 1 percent per month you pay 10 percent per year; when they say 1 percent per month you pay 12 percent per year; when they say $1\frac{1}{4}\%$ percent per month you pay 15 percent per year; when they say $1\frac{1}{2}\%$ percent per month you pay 18 percent per year; when they say $2\frac{1}{2}\%$ percent per month you pay 30 percent per year.

By making a large down payment and paying off the balance as quickly as you can, you keep interest charges to a minimum. The best basis of comparison between alternate financing methods is to compare the

actual dollar and cents cost of financing your purchase. It goes without saying, never sign a contract until you know what the exact interest and extra charges will be!

Whenever you are in doubt, get the agreement in writing and then stop by the bank to get a comparison with a Security National Bank loan. Remember, our officers are always available for financial counseling.

Mr. YARBOROUGH. Mr. President, will the Senator from Wisconsin yield?

Mr. PROXMIRE. I am happy to yield to the Senator from Texas.

Mr. YARBOROUGH. I thank the distinguished Senator from Wisconsin for yielding to me. I want to commend him on his very fine statement concerning truth in lending.

I was a cosponsor of the bill introduced by the former Senator from Illinois, Mr. Douglas, when he was the principal sponsor of this legislation. Of course, it was cosponsored by the Senator from Wisconsin. I wish to commend the Senator for his leadership.

Mr. PROXMIRE. I thank the distinguished Senator from Texas. I certainly welcome him as a cosponsor of this bill. I do not know of anyone in the Senate who has worked harder for the workingman, the farmer, the small businessman, and all the other people who are, in many cases, debtors and would be greatly benefited by the opportunity to have the full facts of any loans disclosed to them before they make them.

The Senator from Texas has always been in the forefront of the fight for full disclosure and full information to be made available to the American consumer.

Mr. YARBOROUGH. I thank the distinguished Senator from Wisconsin for his remarks, which are more generous by far than I deserve. I am grateful that he has made them.

Mr. CLARK. Mr. President, will the Senator from Wisconsin yield?

Mr. PROXMIRE. I yield.

Mr. CLARK. I should like to commend the Senator from Wisconsin for the splendid speech he completed a few moments ago on his truth-in-lending legislation.

I am happy to be a cosponsor of that legislation and to have been a cosponsor for a good many years of prior legislation introduced by our great colleague, whom we all miss so much, Senator Paul Douglas, of Illinois.

For a good many years I served on the Banking and Currency Committee and was delighted to have the opportunity to support Senator Douglas in his sponsorship of this legislation at a time when there were not many Senators who agreed with it.

It was like a breath of fresh air when the Senator from Wisconsin came on the Banking and Currency Committee, picked up the torch, and supported Senator Douglas as strongly as several of us had. I am delighted that he has taken over his mantle with, I hope, a substantially better chance of success than was the case in the earlier years when we were trying to develop strong public opinion in favor of this much-needed legislation.

It is always interesting to me that for so many years there was not a feeling

of strong popular support for this legislation, because so many millions of people did not realize they were, in a real sense, being defrauded. I think it was largely as a result of the public's education by the Senator from Wisconsin and Senator Douglas which resulted in so many people supporting this kind of legislation.

Mr. PROXMIRE. I am very flattered that the Senator has put it that way. However, I am convinced that it was the then Senator from Illinois, Senator Douglas, who really popularized this bill. He was chairman of the subcommittee which held hearings in many cities throughout the country, and brought the matter to the attention of the American people, and secured overwhelming support for it, as shown by every poll taken. Eight Members of Congress took polls showing that somewhere between 88 to 95 percent of the people were for it, in Democratic and Republican districts. It is because of Senator Douglas' wonderful, bulldog tenacity, with the aid of the Senator from Pennsylvania and others on the committee, that it is possible this year to pass it.

Mr. CLARK. I think the Senator from Wisconsin is entirely correct. I join him in his commendation of Senator Douglas for his years of effort, at a time when the bill was not very popular.

It is interesting to me, as I am sure it is to the Senator from Wisconsin as his service in this body grows year by year, that a proposal like that of Senator Douglas took so many years to receive support. It is now supported by the President, who for a long time did not support it. I commend President Johnson for his support of it both in his state of the Union message and in the Economic Report.

I think the Senator from Wisconsin is to be congratulated on the amendments in this particular bill, which make it far less complicated than it might have been to determine the interest rate. The Senator can remember the roadblocks which were thrown in our way for many years by those who insisted the bill was quite impractical because one could not figure out the various complicated methods which showed what the real interest rate was. The Senator from Wisconsin has cut through those arguments and has given us a feasible, practical definition of what a proper interest rate is, which is going to be difficult for anybody to controvert.

Again let me say I am happy to cosponsor the legislation. Again I want to commend the past efforts of Senator Douglas, and to commend the Senator from Wisconsin [Mr. PROXMIRE] for the splendid leadership he is showing, which will bring this cause to fruition after almost, if not more than, 10 years from the time when Senator Douglas first undertook to sponsor the legislation.

Mr. PROXMIRE. I certainly thank the Senator from Pennsylvania, who is as doughty and hearty a battler for liberal causes as there is in the Senate.

I should like to make one concluding statement, and then I shall yield the floor; and that is to say that I have talked with a number of members of the

Banking and Currency Committee and I am now convinced that a strong and practicable bill will be reported this spring by the committee. The President supports it. It has been tried out by the Department of Defense and found to be workable. It has been tried out by the State of Massachusetts. There is a growing awareness of the desirability and need for this legislation throughout America.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MORTON. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE UNITED STATES-SOVIET CONSULAR CONVENTION

Mr. MORTON. Mr. President, in the coming days, the Senate will consider ratification of a Consular Convention between the United States and the Soviet Union. Two years ago, the same consular agreement was favorably reported out of committee only to die of fear and misgiving.

It is open to question whether the responsibility for killing this forward-looking proposal in the 89th Congress rests with the administration which had misgivings about securing the necessary two-thirds vote—or with the extremist fringe groups in our society who fear Polish hams as much as they fear any new gesture toward world peace.

Unfortunately, Mr. President, the same fears and misgivings today threaten to frustrate this historic first attempt at a bilateral United States-Soviet agreement. Unfortunately, timidity of purpose on one hand, and hysterical opposition on the other, may once again thwart the efforts of those who see in this Consular Convention a safe and sound approach toward better relations between the world's two mightiest powers.

It is interesting and significant to note that a start toward improved United States-Soviet relations was urged by President Eisenhower on April 16, 1953. With America committed in Korea to the defense of freedom, the President declared:

Every gun that is fired, every warship launched, every rocket fired signifies a theft from those who hunger and are not fed, those who are cold and are not clothed . . .

The cost of one heavy bomber is this: a modern brick school in more than thirty cities . . . We pay for a single fighter plane with a half million bushels of wheat. We pay for a single destroyer with new homes that would have housed more than eight thousand people . . .

This is not a way of life at all, in any true sense. Under the cloud of threatening war, it is humanity hanging from a cross of iron . . .

A world that begins to witness the rebirth of trust among nations can find its way to a peace that is neither partial nor punitive. The fruits of success would present the world with the greatest task, and the greatest op-

June 8, 1967

14. TRUTH-IN-LENDING. The Subcommittee on Financial Institutions of the Banking and Currency Committee approved for the full committee with amendments S. 5, the truth-in-lending bill. p. D472
15. RESOURCES DEVELOPMENT. Sen. Nelson discussed the work to the Upper Great Lakes Regional Commission and stated, "The hope for the North rests in carefully planned development of three areas: recreation, agriculture, and private industry." He also urged the establishment of a USDA plant materials center in this area, and continued development of forest lands and forest products. pp. S7892-5
16. ADJOURNED until Mon., June 12. p. S7928

ITEMS IN APPENDIX

17. FARM PROGRAM. Rep. Rarick inserted an editorial, "The 'Vanishing' Farmer," and an article, "Valley Farmer says U. S. Ag Policy Ruinous." pp. S2882-3
18. RECREATION. Rep. Gathings inserted remarks by SCS Deputy Administrator Hollis Williams on the occasion of the dedication of the Flat Creek watershed project and recreational development, Ark. pp. A2885-7
19. CENSUS. Extension of remarks of Rep. Moorhead and insertion of an article endorsing legislation to establish a mid-decade census. pp. A2898-9
20. HOUSING. Extension remarks of Rep. Dent and insertion of a speech by HUD Acting Assistant Deputy Assistant Secretary Marie McGuire on "Specialized Housing Programs for Low-Income Families." pp. A2909-10

BILLS INTRODUCED

21. LANDS. H. R. 10714 by Rep. Edwards, Calif. and H. R. 10716 by Rep. Ford, to amend title VII of the Housing Act of 1961 to authorize Federal grants under the open-space land program for the development and redevelopment of existing open-space land and for the acquisition of outdoor and indoor recreational buildings, centers, facilities, and equipment; to Banking and Currency Committee. Remarks of Rep. Edwards, p. H6971; Rep. Ford, p. H6961
- H. R. 10732 and H. R. 10733 by Rep. Tunney, to render the assertion of land claims by the United States based upon accretion or avulsion subject to legal and equitable defenses to which private persons asserting such claims would be subject; to Interior and Insular Affairs Committee.
- H. R. 10665 by Rep. Edwards, La., relating to the conservation of natural resources upon lands of the United States and amending certain provisions of the Outer Continental Shelf Lands Acts and the Mineral Leasing Act; to Judiciary Committee.
- H. R. 10724 by Rep. Pettis, to establish certain policies with respect to certain leases or permits issued by the Secretary of the Interior; to Interior and Insular Affairs Committee.
22. ELECTRIFICATION. H. R. 10721 by Rep. MacDonald, Mass., H. R. 10722 by Rep. Murphy, N. Y. and H. R. 10727 by Rep. Staggers, to amend the Federal Power Act to facilitate the provision of a reliable abundant and economical electric power supply, by strengthening existing mechanisms for coordination of electric utility systems and encouraging the installation and use of the products of

advancing technology with due regard for the proper conservation of scenic and other natural resources; to Interstate and Foreign Commerce Committee. Remarks of Rep. Staggers, p. H6974

23. PROGRAM EVALUATION. S. 1929 by Sen. Ribicoff, to provide for an Office of Legislative Evaluation in the General Accounting Office; to Government Operations Committee. Remarks of author pp. S7879-81
24. PUBLIC DEBT. H. R. 10661 by Rep. Byrnes, Wisc., to make permanent the existing temporary public debt limit of \$336 billion; to Ways and Means Committee. Remarks of author p. H6927
25. DAIRY IMPORTS. H. R. 10663 by Rep. Davis, Wisc., to restrict imports of dairy products; to Ways and Means Committee.
26. MINK IMPORTS. H. R. 10670 by Rep. Harrison, to amend the tariff schedules of the United States with respect to the rate of duty on whole skins of mink, whether or not dressed; to Ways and Means Committee.
27. TOBACCO. H. R. 10671 by Rep. Jones, N. C., to amend the Agricultural Adjustment Act of 1938, as amended, to authorize the transfer of flue-cured tobacco acreage allotments and acreage-poundage quotas; to Agriculture Committee.
28. TRANSPORTATION. H. R. 10659 by Rep. Boggs, to amend section 303(b) of the Interstate Commerce Act to modernize certain restrictions upon the application and scope of the exemption provided therein; to Interstate and Foreign Commerce Committee.
29. LIVESTOCK. H. R. 10673 by Rep. Purcell, to amend title III of the Packers and Stockyards Act of 1921, as amended; to Agriculture Committee.
30. HOLIDAY. H. R. 10675 by Rep. Roybal, declaring October 12 to be a legal holiday; to Judiciary Committee.
31. TARIFFS. H. R. 10677 by Rep. Smith, Okla., to amend the tariff schedules of the United States with respect to the rate of duty on honey and honey products and to impose import limitations on honey and honey products; to Ways and Means Committee.
H. R. 10678 by Rep. Ullman, to amend the Tariff Act of 1930 to facilitate the formulation of sound tariff policies with respect to agricultural commodities; to Ways and Means Committee. Remarks of author p. H6970
32. EXTENSION SERVICES. H. R. 10680 by Rep. Zwach, to establish cooperative extension services in the District of Columbia; to Agriculture Committee. Remarks of author pp. H6933-4
33. EMPLOYMENT; POVERTY. H. R. 10682 by Rep. Quie and others, to mesh the combined efforts of government at all levels with private endeavors to provide jobs and dignity for the poor; to Education and Labor Committee. Remarks of author p. H6933
34. WHEAT. H. R. 10685 by Rep. Skubitz, to permit the administrative adjustment of certain wheat acreage allotment reductions resulting from action taken by farmers prior to 1965 in good faith reliance upon representations or advice of

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
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OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

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90th-1st; No. 102

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HIGHLIGHT: House committee reported REA financing bill.

SENATE

1. PUBLIC DEBT. Passed without amendment H. R. 10867, to increase the public debt limit from \$336 billion to a permanent limit of \$358 billion. This bill will now be sent to the President. pp. S8974-9000
2. TEXTILE IMPORTS. Sen. Hollings inserted a speech by Sen. Pastore which "points up the problems of the textile industry," and suggests "quantitative limitations or quotas on imports of all textiles--whether of cotton, wool or manmade fibers." pp. S8928-9

Sen. Thurmond stated that "there continues to be a crying need for greater liaison between the U. S. Department of State and representatives of the American textile industry," and urged a limitation on textile imports. pp. S9011-2

3. FARM PRICES. Sen. Symington inserted a letter which gives "an example of the spread between the prices received by the farmer for his products and the prices paid for that commodity in the grocery store or in the restaurant" p. S8934
4. POLLUTION. Sen. Muskie inserted a sermon, "Air and Water Pollution--A New Moral Problem," and said it is "an excellent statement outlining the problems and urging enlightened citizen action to help to correct them." pp. S8930-1
5. CENSUS. Sen. Smathers spoke in favor of the bill to establish a mid-decade census and inserted an article on this subject. pp. S8929-30
6. FLOOD CONTROL; APPROPRIATIONS. Sen. Symington urged the administration to request funds to move ahead on flood control projects in the Mo. River valley, and inserted several articles which "show the seriousness of the flooding and the value and need of water control projects to avert such disasters." pp. S8935-8
Sen. Pearson urged that funds be provided to continue flood control projects in Kan. and inserted an article on this subject. p. S8961
Sen. Morse inserted a speech delivered at the dedication of a dam in the Willamette Basin flood control project, Ore. pp. S9018-9
7. TARIFFS. Passed with amendment H. R. 4880, to extend the time within which certain requests may be filed under the Tariff Schedule Technical Amendments Act of 1965. pp. S9009-12
8. RECLAMATION. Sen. Gruening disagreed with the Department of Interior's recommendation to disapprove construction of the Rampart dam in Alaska, and inserted an article which supports his position. pp. S8961-3
9. CONSUMERS. The Banking and Currency Committee ordered favorably reported with amendments (but did not actually report) S. 5, the truth-in-lending bill. p. D536
Sen. McCarthy inserted a speech by Sen. Hartke in support of S. 1460, the quality stabilization bill. pp. S8924-5
10. RESEARCH. Sen. Clark urged that funds be made available to implement Public Law 89-544, the Laboratory Animal Welfare Act, and inserted several articles in support of his position. pp. S8916-7
11. APPROPRIATIONS. The Appropriations Committee ordered favorably reported with amendments (but did not actually report) H. R. 10368, the legislative appropriation bill. p. D536
The Appropriations Committee reported without amendment H. J. Res. 652, making continuing appropriations for the fiscal year 1968 (S. Rept. 366) p. S8909 (For details see item number 10 in the Digest issued June 27.)
12. TOBACCO. The Agriculture and Forestry Committee reported without amendment H. R. 5702, to remove the 5-acre limitation on the amount of tobacco allotment acreage which may be leased (S. Rept. 361); and H. R. 8265, to amend the Agricultural Adjustment Act of 1938 to authorize the transfer of tobacco acreage allotments and acreage-poundage quotas. (S. Rept. 362), p. S8909

June 29, 1967

15. FARM PROGRAM. Rep. Aspinall spoke of the "growing amount of attention" on the "complex problems of the agriculture industry" and inserted a speech made by a rancher at a meeting of farmers and ranchers sponsored by ASCS. pp. H8359-60
 16. LEGISLATIVE PROGRAM. Rep. Albert announced the following program for the week of July 10: Tues., Consent Calendar, 3 suspensions--civil rights bill, Federal employees life insurance bill, and career status for temporary employees bill. Wed., water resources bill. p. H8316
 17. ADJOURNED until Mon., July 10. p. H8368
- SENATE
18. MEAT IMPORTS. Sen. Hruska spoke in favor of S. 1588, "that is intended to revise and tighten up our present system for applying import quotas on meat." pp. S9176-7
 19. GRAIN. Sen. Mansfield inserted a statement by the Mont. Farmers' Union urging the enactment of S. 7, to provide a special export wheat payment and to provide that price support for corn beginning with the 1967 crop shall be at a national average rate of not less than 90 percent of parity; or comparable farm income-increasing legislation. pp. S9165-6
 20. PERSONNEL. Sen. Williams, Del., criticized the increase in Federal employment since the President issued a "freeze" order in Sept. p. S9165
 21. BUDGET. Sen. Young, N. D., inserted an article, "The Federal Budget is Getting Smaller," based on an interview with Sen. Hayden. pp. S9178-9
 22. HOUSING. Sen. Percy inserted several pro and con articles on S. 1592, the proposed National Home Ownership Foundation Act. pp. S9181-6
Sen. Percy inserted an article, "Guidelines for Effective Federal Housing Policy." pp. S9196-8
 23. TAX SHARING. Sen. Baker inserted an article in support of a Federal-State revenue sharing program. p. S9190
 24. WATERSHEDS. Sen. Baker commended and inserted a speech by SCS Administrator Williams on the small watershed program and its development of projects for flood prevention, agricultural water management, municipal and industrial water supply, fish and wildlife development, and recreation through local organizations. pp. S9194-5
 25. PACKAGING. Sen. Hart urged that funds be made available to implement the truth-in-packaging bill passed in the 89th Congress. pp. S9198-9
 26. TRUTH-IN-LENDING. The Banking and Currency Committee reported with amendment S. 5, the truth-in-lending bill. (S. Rept. 392). p. S9154
 27. APPROPRIATIONS. Agreed to the conference report on H. R. 7501, the Treasury, Post Office, and Executive Office appropriation bill. This bill will now be sent to the President. pp. S9152-3

The Appropriations Committee reported with amendments H. R. 10368, the legislative appropriation bill (S. Rept. 393). pp. S9163-4

28. ECONOMY. Sen. Percy discussed the economic strength of the U. S. and stated, "The administration should immediately disclose the budgetary outlook and its own policies to promote stability. This requires a resubmission of its fiscal 1968 expenditure proposals. Our economic strength is essential to our own security and that of the free world." pp. S9143-4
29. RECLAMATION. The Interior and Insular Affairs Committee ordered favorably reported with amendments (but did not actually report) S. 1004, authorizing construction and operation of the central Arizona project. p. D553
30. ADJOURNED until Mon., July 10. p. S9201

ITEMS IN APPENDIX

31. MINERALS. Rep. Saylor inserted an article, "The Influence of the Minerals Industry on General Economics." pp. A3356-60
32. OPINION POLL. Rep. Shriver inserted the results of a questionnaire, including items of interest to this Department. pp. A3364-5
33. POVERTY. Rep. Bolling inserted an article on the practical consequences of the poverty campaign. p. A3371
34. LANDS; RECREATION. Rep. Dingell inserted an article pointing out that lands for conservation and recreation for the future are going to be impossible to acquire because of the rapid upward spiral in land prices. pp. A3377-8
35. POLLUTION. Extension of remarks of Rep. Hanna stressing the need for educational programs to combat undesirable environmental effects. p. A3383
36. FOREIGN TRADE. Rep. Bolling inserted four articles expressing support of the results of the Kennedy round of trade negotiations. pp. A3389-91

BILLS INTRODUCED

37. FLOOD INSURANCE. H. R. 11270 by Rep. Rodino, H. R. 11273 by Rep. Biester and H. R. 11274 by Rep. Cahill, to amend the Federal Flood Insurance Act of 1956, to provide for a national program of flood insurance; to Banking and Currency Committee.
38. EDUCATION. H. R. 11265 by Rep. Perkins and H. R. 11276 by Rep. Hawkins, to authorize appropriations to carry out the Adult Education Act of 1966 for 2 additional years; to Education and Labor Committee.
39. IMPORTS. H. R. 11275 by Rep. Daniels, to authorize a duty on soluble coffee; to Ways and Means Committee. Remarks of author pp. H8322-4
H. R. 11286 by Rep. Utt, to amend the tariff schedules of the United States with respect to the rate of duty on olives packed in certain airtight containers; to Ways and Means Committee.

90TH CONGRESS }
1st Session }

SENATE

{ REPORT
{ NO. 392

TRUTH IN LENDING—1967

REPORT

OF THE

COMMITTEE ON
BANKING AND CURRENCY
UNITED STATES SENATE

TO ACCOMPANY

S. 5

TOGETHER WITH INDIVIDUAL VIEWS



JUNE 29, 1967.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

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THE TRUTH IN LENDING ACT OF 1967

JUNE 29, 1967.—Ordered to be printed

MR. PROXMIRE, from the Committee on Banking and Currency,
submitted the following

REPORT

together with

INDIVIDUAL VIEWS

[To accompany S. 5]

The Committee on Banking and Currency, to which was referred the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

PURPOSE OF THE BILL

The basic purpose of the truth in lending bill is to provide a full disclosure of credit charges to the American consumer. The bill does not in any way regulate the credit industry nor does it prescribe ceilings on credit charges. Instead, it requires that full disclosure of credit charges be made so that the consumer can decide for himself whether the charge is reasonable.

By providing full and comparable disclosure of information, the bill will permit consumers to compare the cost of credit among different creditors and to shop effectively for the best credit buy. The committee also believes the bill will promote the wiser use of consumer credit by consumers when they know the full cost of credit.

The committee believes the credit industry has made and is making a vital contribution to our growing economy. It is not the purpose of the bill to impede or retard the growth of consumer credit. Adequate knowledge of the full cost of credit, however, should make it possible for many families to manage their credit in a more satisfactory way. Personal bankruptcies are now at an alltime high and additional

consumer information in the consumer credit field should have beneficial effects both to consumers and to creditors.

For millions of other families the principal effect of the bill would be to permit them to shop efficiently for credit. In this way the committee believes the disclosure of credit costs together with the annual percentage rate will gradually bring about more effective price competition on the part of different segments of the credit industry. Banks, small loan companies, credit unions, retail merchants, savings and loan associations, and other creditors all compete for the consumer credit dollar. However, each of these segments of the industry follow somewhat different practices with regard to disclosing the cost of credit. By providing a uniform system of disclosure, the bill permits the average person to compare the cost of credit from all of these alternative sources of credit.

Although the bill is entitled "The Truth in Lending Act," the committee does not imply or infer that most creditors have been deliberately untruthful. The bill contains no assumptions that consumer credit is bad or that the vast majority of those who extend consumer credit are engaged in deceitful practices. The bill contains no indictment of the credit industry as a whole.

There have been examples, however, in the voluminous testimony presented before the committee, to indicate that there are some unscrupulous creditors who prey upon the poor through deceptive credit practices. The bill would protect the honest businessman from this form of unethical competition by requiring all creditors to disclose the cost of credit in a uniform manner. In this way, the honest merchant is not penalized if he states the full cost of his credit in dollars and as an annual percentage rate. Experience with truth in lending legislation in Massachusetts has confirmed the belief that full disclosure of credit charges is beneficial to business as well as consumers.

In reporting out the truth in lending bill, which was originally pioneered by former Senator Paul H. Douglas, the committee believes it has retained the essentials of the original Douglas bill but has made a number of changes to make the bill more practicable and workable to creditors. Past opponents and past proponents of the bill have always agreed upon the central objective of providing full information to consumers. The principal points of contention dealt with the workability of the legislation and whether it was a bill with which the average creditor could comply.

In reporting a truth in lending bill after 7 years of committee discussion, the committee believes it is recommending a reasonable bill which will be practicable and workable to the credit industry while at the same time providing consumers with the most important information about credit charges.

PRESENT DISCLOSURE PRACTICES

Today the consumer is faced with a number of credit disclosure practices, none of which is directly comparable to one another. With respect to rate, some creditors employ an "add on" rate, which is measured on the original balance of the obligation as opposed to the declining balance. This has the effect of understating the simple annual rate by approximately 50 percent.

Other segments of the credit industry, such as credit unions and small loan companies employ monthly rates. Although it is a simple

matter to multiply the monthly rate by 12, the evidence seems to indicate that many people are not aware of the true cost of credit when it is expressed on a monthly basis.

Other creditors add a number of additional fees or charges to the basic finance charge. This permits a creditor to quote a low rate while actually earning a higher yield through the additional fees and charges.

Other creditors make no disclosure of a rate. In this case the consumer would have to compute the actual rate himself if he desired to compare the credit with other alternative sources of credit. Although most creditors do disclose the dollar cost of credit, testimony before the committee has revealed that there are some who quote only the monthly payments. When this is done the consumer has absolutely no idea of the amount of the finance charge or the rate.

The end result of these inconsistent and noncomparable practices is confusion in the public mind about credit. A recent survey asked 800 families to estimate the rate of finance charge they were paying on their consumer debts. The average estimate was 8.3 percent. The actual rate paid was 24 percent or nearly three times higher.

In large part, these different practices have arisen out of historical circumstance. Failure to measure consumer credit in terms of a simple annual rate was originally justified as necessary because of restrictive State usury statutes. Each segment of the industry evolved a somewhat different way of getting around the usury problem. For example, small loan companies relied upon a monthly rate. Although many of these early difficulties with laws have been overcome, the devices originally designed to get around the usury problem have now become imbedded in industry practice. No one segment of the industry can afford to reform itself by disclosing the simple annual rate without incurring a competitive disadvantage. Clearly, the only solution is to require by legislation that all creditors use the same method in computing and quoting finance charges including the statement of an annual percentage rate.

The committee believes that by requiring all creditors to disclose credit information in a uniform manner, and by requiring all additional charges incident to credit to be included in the computation of the annual percentage rate, the American consumer will be given the information he needs to compare the cost of credit and to make the best informed decision on the use of credit.

SIZE OF CONSUMER CREDIT

The growth of consumer credit since 1945 has been at a rate of 4½ times greater than the growth rate of our economy as a whole. At the end of 1945 consumer credit amounted to \$5.6 billion, whereas in March of 1967 the total amount had climbed to \$92.5 billion. Thus, the size of total consumer debt is nearly 17 times as great as it was in 1945.

Of this \$92.5 billion, \$73.6 billion is represented by installment credit. The largest single element consists of over \$30 billion in automobile paper, which accounts for over 30 percent of consumer credit.

Another rapidly growing form of credit consists of open-end or revolving credit. Approximately \$3.5 billion in revolving credit was outstanding in March of 1967. The great bulk of this is represented by department store revolving credit charge accounts, although re-

cently a number of commercial banks have moved into the revolving credit field.

Currently, American families are paying approximately \$12.5 billion a year in interest and service charges for consumer credit. There is about as great as the Federal Government pays itself for interest on the national debt.

The following tables will illustrate the present size of consumer credit and its growth over the last 30 years:

Total consumer credit
[In millions of dollars]

End or period	Total	Installment					Noninstallment			
		Total	Auto- mobile paper	Other consumer goods paper	Repair and modern- ization loans ¹	Personal loans ¹	Total	Single- payment loans	Charge accounts	Service credit
1939.....	7,222	4,503	1,497	1,620	298	1,088	2,719	787	1,414	518
1941.....	9,172	6,085	2,458	1,929	376	1,322	3,087	845	1,045	597
1945.....	5,605	2,462	1,455	816	182	1,009	3,203	746	1,612	845
1960.....	56,028	42,832	17,688	11,525	3,139	10,480	13,196	4,507	5,329	3,360
1961.....	57,678	43,527	17,223	11,857	3,191	11,256	14,151	5,136	5,324	3,691
1962.....	63,165	48,034	19,540	12,605	3,246	12,643	15,130	5,456	5,084	3,990
1963.....	68,165	54,158	22,433	13,856	3,405	14,464	16,303	6,117	5,871	4,315
1964.....	70,461	54,158	22,433	13,856	3,405	14,464	16,303	6,117	5,871	4,315
1965.....	78,442	60,548	25,195	15,393	3,532	16,228	17,894	6,954	6,300	4,640
1966.....	87,884	68,565	28,843	17,693	3,675	18,354	19,319	7,682	6,746	4,891
1967.....	94,786	74,656	30,961	19,834	3,751	20,110	20,130	7,844	7,144	5,142
1967 (March).....	92,519	73,591	30,527	19,369	3,648	20,047	18,928	7,769	5,809	5,350

¹ Holdings of financial institutions; holdings of retail outlets are included in "other consumer goods paper."

NOTE.—Consumer credit estimates cover loans to individuals for household, family,

and other personal expenditures, except real estate mortgage loans. For back figures and descriptions of the data, see "Consumer Credit," sec. 16 (new) of "Supplement to Banking and Monetary Statistics," 1965, and May 1966 Bulletin.

Installment credit
[In millions of dollars]

End of period	Total	Financial institutions						Retail outlets					
		Total	Com- mercial banks	Sales finance companies	Credit unions	Con- sumer finance ¹	Other ¹	Total	Depart- ment stores ²	Furni- ture stores	Appliance stores	Auto- mobile dealers ³	Other
1939	4,503	3,065	1,079	1,197	132	-----	657	1,438	354	439	183	123	339
1941	6,085	4,480	1,726	1,797	198	-----	759	1,605	320	496	206	188	395
1945	2,462	1,776	745	300	102	-----	629	686	131	240	17	28	270
1960	42,832	37,218	16,672	11,472	3,923	3,670	1,481	5,615	2,414	1,107	333	359	1,402
1961	43,527	37,935	17,008	11,273	4,330	3,799	1,525	5,595	2,421	1,058	293	342	1,481
1962	48,034	41,782	19,005	12,194	4,902	4,131	1,550	6,252	3,013	1,073	294	345	1,527
1963	54,158	47,405	22,023	13,523	5,622	4,590	1,647	6,753	3,427	1,086	287	328	1,625
1964	60,548	53,141	25,094	14,762	6,458	5,078	1,749	7,407	3,922	1,152	286	370	1,677
1965	68,565	60,273	29,173	16,138	7,512	5,606	1,844	8,292	4,488	1,235	302	447	1,820
1966	74,656	65,565	32,155	16,936	8,549	6,014	1,911	9,091	(4)	(4)	(4)	490	(4)
1967 (Mar.)	73,591	65,006	32,068	16,593	8,485	5,951	1,909	8,585	(6)	(4)	(4)	486	(4)

¹ Consumer finance companies included with "other" financial institutions until 1950.

² Includes mail-order houses.

³ Automobile paper only; other installment credit held by automobile dealers is included with "other" retail outlets.

⁴ Not available.

See also note to table above.

Source: Federal Reserve bulletin (May 1967).

PROVISIONS OF THE BILL

A complete section-by-section summary of the bill is included at the end of this report. The main provisions of each section are summarized as follows:

Section 3 of the bill provides for definitions. The definition of credit would apply to all forms of consumer credit including loans, retail installment contracts, retail revolving charge accounts, second mortgages, and other forms of credit. The bill would cover credit extended to consumers but would not cover credit extended to organizations or credit extended primarily for business or commercial purposes. In addition to consumer credit, the bill would also cover agricultural credit when the credit was extended to a person as opposed to a corporation or other organization.

By limiting the bill to the field of consumer credit, the committee believes it is providing disclosure requirements in the area where it is most essential. Most businesses or corporations are in a good position to judge the relative worth of alternative credit plans and by and large do not require the special disclosure protections provided by the bill.

Section 4 contains the principal elements of the bill and sets forth the various disclosure requirements on consumer credit transactions. The disclosure would have to be made before the credit is extended. In most cases it would amount to providing the required information on the installment contract or other evidence of indebtedness which the consumer would sign in order to complete the transaction. A creditor could also furnish the information on a separate document, providing the information was given before the consumer actually agreed to the credit transaction.

All installment creditors would be required to disclose the total cost of the credit in terms of dollars and cents and in terms of an annual percentage rate. In addition, all other charges incident to the transaction would be required to be set forth such as taxes, official fees, or insurance.

The annual percentage rate would be determined on the delinling balance of the obligation. For example, assume a person borrowed \$100 with a finance charge of \$6, and repaid the total indebtedness of \$106 in 12 equal monthly installments. Since the debt would have been gradually repaid over a 12-month period, the consumer would actually have had the use, on the average, of approximately one-half of the original amount of credit. Therefore, the annual percentage rate would be measured not against the original amount of credit but against the amount of credit actually in use over the period. The example given would come to approximately 11 percent per year. The bill provides the rate be computed in accordance with the actuarial method, or such other comparable methods as the administering agency may prescribe.

Under section 5, the administering agency, which is the Federal Reserve Board, would be given the authority to provide for rate tables, charts, or other methods to assist creditors in compliance with this provision. Many creditors already use rate charts in the ordinary course of business in order to compute the amount of the finance charge and the size of the periodic payments for a given credit transaction. In such cases, the additional requirement to disclose the annual percentage rate can be complied with by merely adding one additional column to the rate charts now in use.

Under section 5, the Federal Reserve Board would also be given the authority to prescribe a built-in tolerance for such rate charts. The bill would provide for tolerances of about 1 percentage point if the cost of credit was at the rate of 12 percent a year. Correspondingly greater and lesser tolerances would be provided if the rate were higher or lower. This provision should simplify compliance with the bill and avoid the necessity of using cumbersome and extensive rate charts. Section 6 of the bill clarifies the relationship between Federal law and State law. The committee has made a considerable effort to indicate its intent is not to preempt the entire field of consumer credit, but rather to encourage as much State legislation in this area as is possible so that the Federal law will no longer be necessary.

Section 6(a) would establish the basic congressional policy that the bill does not preempt State consumer credit legislation unless the State provision was inconsistent with the Federal law, and then only to the extent of the inconsistency. Language has also been included to make it clear that the annual percentage rate required to be disclosed under section 4 is not an interest rate within the meaning of the various State usury laws. The definition of finance charge includes all costs incident to credit including interest and other charges incident to the extension of credit.

In many States the legal definition of interest may be substantially less extensive than the definition of finance charge under section 3 of the bill. The committee, therefore, wishes to make it abundantly clear that the annual percentage rate is not equivalent to the legal definition of an interest rate, but is instead a composite rate which includes all charges incident to credit including interest.

The committee also wishes to make it clear that nothing in the act shall be construed to alter the judicial interpretation of the time-price doctrine upon which most consumer retail credit is based. Once again, the disclosure of the annual percentage rate on retail credit transactions should not be construed to be the disclosure of a rate of interest.

Section 6(b) of the act would give the Federal Reserve Board the authority to exempt creditors from complying with all or parts of the bill if substantially similar disclosure provisions were contained in State law. The committee is hopeful that with the passage of a Federal truth in lending law the States will be prompted to pass substantially similar legislation so that after a period of years the need for any Federal legislation will have been reduced to a minimum. Several States have already enacted somewhat comparable truth in lending laws. In addition, the National Conference of Commissioners on Uniform State Laws has been working quite diligently on a proposed consumer credit code to recommend to the various State legislatures beginning in 1969. The committee applauds and endorses the worthwhile efforts of the National Conference of Commissioners on Uniform State Laws and urges that the States act favorably in adopting a uniform consumer credit code. Although this bill would be limited to the disclosure aspects of consumer credit, the proposed consumer credit code goes considerably beyond disclosure and, in fact, proposes a variety of beneficial changes in the entire consumer credit area. The committee is hopeful that these worthwhile efforts will not be hampered by the passage of the Federal truth in lending law. The committee is also hopeful that the provision under section 6(b), whereby creditors will be exempt from compliance with the Federal law if their State enacts substantially similar legislation, will serve as

an incentive to the States to act favorably upon the proposed consumer credit code. In this respect the committee believes the Federal truth in lending law and the proposed consumer credit code are supplementary rather than competing alternatives.

The enforcement of the bill would be accomplished largely through the institution of civil actions authorized under section 7 of the bill. Any creditor who fails to disclose the required information would be subject to a civil action with a penalty of twice the finance charge. However, the minimum penalty would be \$100 and the maximum penalty would be \$1,000. The committee has not recommended investigative or enforcement machinery at the Federal level, largely on the assumption that the civil penalty section will secure substantial compliance with the act. If, in the course of the administration of the act, it becomes evident that additional steps need to be taken to bring about enforcement, the committee will consider additional legislation. In the meantime, the Federal Reserve Board would be required to report to the Congress annually as to the extent to which the disclosure provisions are being complied with.

Although the provision for civil penalties under section 7(a) would authorize a penalty of twice the finance charge, a successful civil action against the creditor would not relieve the consumer from complying with the terms of the contract as required by State law. In other words, if a creditor failed to disclose the annual percentage rate on a loan where the finance charge was \$400, the creditor would be liable to an \$800 penalty. However, the consumer would still be required to repay the indebtedness including the \$400 finance charge, in accordance with the original agreement and applicable State law.

The committee provided in the section on civil penalties that a creditor could defend against a civil action by proving that the failure to comply was the result of a bona fide error. However, the burden of proof would be on the creditor to prove that the error was in fact unintentional. Section 7(a) on civil penalties also provides that a creditor would be liable for reasonable attorney fees and court costs in the event the suit were decided in favor of the plaintiff.

Section 8 of the bill deals with several exceptions to the provisions which the committee has recommended:

First, the bill excludes credit transactions for business or commercial purposes or credit to organizations.

Second, stockbroker margin loans to investors would be exempt from the disclosure requirements of the bill. The committee has been informed by the Securities and Exchange Commission that the Commission has adequate regulatory authority under the Securities Exchange Act of 1934 to require adequate disclosure of the cost of such credit. The committee has also been informed in a letter from the SEC that "the Commission is prepared to adopt its own rules to whatever extent may be necessary."

In recommending an exemption for stockbroker margin loans in the bill, the committee intends for the SEC to require substantially similar disclosure by regulation as soon as it is possible to issue such regulations.

Third, the bill would exempt credit transactions when the amount to be financed exceeds \$25,000. In such cases the committee felt the transaction would be considerably above the average consumer credit transaction and that the protection afforded by the disclosure requirements would no longer be necessary. The \$25,000 cutoff also

provides an objective test between consumer credit and business credit which can be used to facilitate compliance with the act.

Fourth, the bill would exempt real estate first mortgage credit. The committee felt that adequate disclosure was already being made in this area of credit, however, second or third mortgages would still be subject to the disclosure provisions of the bill. Most of the abuses encountered by the committee with respect to real estate transactions were in the second mortgage area rather than in first mortgages.

The committee also intends that the disclosure provisions would not apply to life insurance policy loans which are merely component features of an overall contractual arrangement.

REVOLVING CREDIT

Since revolving credit was the most discussed subject under consideration by the committee, it is singled out in this report for separate treatment. The original version of S. 5, as introduced by Senator Proxmire on January 11, 1967, would have required all revolving credit plans to disclose, among other things, the annual percentage rate at the time the account was opened and on the periodic monthly statements. The annual percentage rate would be determined by multiplying the periodic or monthly rate by 12. For example, if the monthly rate were $1\frac{1}{2}$ percent, the creditor, under the bill introduced by Senator Proxmire, would have stated the annual rate to be 18 percent.

This provision of the bill drew the most criticism from representatives of the retail industry. The retail industry contended that if the actual credit in use as measured from the time of each transaction to the time of each payment were computed, the rate would vary considerably from 18 percent, and in most cases would be substantially lower than 18 percent.

Proponents of the original bill countered with the argument that it was not proper to measure the credit from the time of the purchase but rather from the time the credit charge would actually begin.

In effect, any revolving credit plan contains a built in "free ride" during which a finance charge is not imposed. For most department store revolving credit this "free ride" can vary from 30 to 60 days. If this "free ride" period were deducted from the computation, and if it were assumed payments would be made when due, the proponents of the original language argued that the rate would always work out to be 18 percent.

Although the committee could not come to a unanimous conclusion on this issue, the committee is convinced that if revolving credit were to be exempt from the annual percentage rate, safeguards should be made to insure that existing forms of installment credit will not be induced to convert to revolving credit merely to escape the disclosure of an annual percentage rate. The committee also felt that revolving credit commonly used to merchandise large purchases should not be given a competitive advantage over firms who sell similar items on an installment contract basis and who would be subject to the annual rate disclosure provisions of the act.

For these reasons, the committee recommends that those forms of revolving credit plans which are similar to installment contract type credit should be subject to the annual rate disclosure requirement while ordinary revolving credit plans would be exempted from the annual rate disclosure requirement.

The installment type credit plan would be defined on the basis of the maintenance of a security interest, or the time required to discharge the obligation, or the extent to which advance payments can be applied to future payments. A more detailed description of the definition of installment open-end credit can be found under section 3(h) and section 4(d)(2)(C) of the section-by-section summary.

The committee is hopeful that this distinction will provide comparability in the area of credit where it is most needed and meaningful and will prevent any wholesale conversion of installment credit to open-end credit in order to avoid disclosure of an annual percentage rate.

The committee has given considerable discussion to one of the criteria used to distinguish an installment and open-end credit plan. This criteria deals with the time required for repayment and provides that if less than 60 percent is payable in 1 year the plan should be considered to be an installment open-end credit plan subject to annual rate disclosure. This provision would exempt most short-term revolving credit plans from the annual rate disclosure provisions but would include a number of existing or potential long-term revolving credit plans. The committee recognized the 60-percent provision will require some existing forms of revolving credit to disclose an annual percentage rate. Although alternative percentage breaking points were considered, it is the best judgment of the committee that 60 percent represents a reasonable division between extended-payment and short-term revolving credit.

With the cutoff point at 60 percent, a creditor would have to require approximately one-tenth of the opening balance be repaid each month in order to avoid annual rate disclosure. If the creditor required fixed payments which were determined by their relationship to the original amount of credit, the creditor would have to require that approximately 6 or 7 percent of the original balance be repaid each month if the plan were to escape annual rate disclosure. This would provide for a payout term of approximately 19 months.

Although the amount of revolving credit outstanding is only \$3.5 billion and about 4 percent of all consumer credit, it is a rapidly growing form of credit. The committee is hopeful that the provision for disclosing the annual rate on installment open-end credit plans will be adequate to provide the consumer with sufficient disclosure information in connection with any future developments in the rapidly changing field of revolving credit.

SECTION-BY-SECTION SUMMARY AND COMPARISON WITH ORIGINAL S. 5
AS INTRODUCED ON JANUARY 11

SECTION 2. DECLARATION OF PURPOSE

Declares that the enhancement of economic stabilization and the strengthening of competition are the primary objectives to be achieved through greater awareness of credit costs. The term "consumer credit" was substituted for "credit" and "consumer" was substituted for "user" of credit to make the intent clear that the bill applies to consumer credit and not all forms of credit.

SECTION 3. DEFINITIONS

Section 3(a)—Definition of "Board".—Refers to the Board of Governors of the Federal Reserve System. No change from original S. 5.

Section 3(b)—Definition of "credit".—Credit is defined as "the right granted by a creditor to defer payment of debt or to incur debt and defer its payment." This definition was taken from the proposed Consumer Credit Code sponsored by the National Conference of Commissioners on Uniform State Laws. The original S. 5 language was deleted because it was somewhat cumbersome and sweeping and referred to various types of lease situations which might not be true extensions of credit. This original S. 5 language was based on the Federal Reserve's old regulation W, which was designed for a different purpose.

The definition also makes clear that consumer credit means debt contracted by persons for personal, family, household, or agricultural purposes. The original S. 5 would have applied only to debt contracted by persons and not by "businesses as such." It thus was not clear whether this definition applied to agricultural credit.

The definition also makes it clear that credit means those bailment lease situations described further in section 3(c).

Section 3(c)—Definition of "consumer credit sale".—This is a new definition made necessary by the revised structure of section 4 which treats lender credit and retail credit separately. The new definition defines credit sales whose disclosure provisions come under section 4(b) as opposed to direct loans which come under section 4(c). The definition makes it clear that the act covers only those creditors who regularly extend credit in accordance with Senator McIntyre's comments during the hearings.

The definition of credit sale is also limited only to those leases which are, in essence, disguised sale arrangements. The definition has been so limited because there is no way to disclose a finance charge or rate in connection with a conventional lease as Governor Robertson pointed out on page 8 of his testimony. The language covering disguised leases is nearly identical to the language used in the Uniform

Conditional Sales Act and in many State retail installment sales acts to distinguish between "true" leases and other leases.

Section 3(d)—Definition of "finance charge".—Defines a finance charge as all charges imposed by a creditor and payable by an obligor as an incident to the extension of credit. This definition has been expanded from the original S. 5 to make its meaning clearer.

The original bill was ambiguous on the treatment of official fees, taxes, and property and casualty insurance. The bill reported by the committee makes it clear these charges would not be considered part of the finance charge to be calculated in the annual rate. In addition, the definition lists those typical real estate closing costs which would be excluded. These changes meet a number of criticisms raised during the hearing and should simplify compliance with the bill.

The original bill was silent on whether credit life insurance should be counted in the finance charge or not. The bill reported by the committee would exclude such insurance from the definition of the finance charge and would not require premiums for such insurance to be included in the computation of the annual percentage rate.

Section 3(e)—Definition of "creditor".—Essentially the same language is used, but Senator McIntyre's suggestion is reemphasized by restricting the definition only to those who regularly engage in credit transactions. Thus a small retailer who extended credit and charged for it in an isolated instance to accommodate a particular customer would not be covered.

Section 3(f)(1)—Definition of "annual percentage rate".—This definition has been rewritten to achieve greater clarity. The old definition described what was essentially the actuarial method for determining an annual rate, but it did not use the term actuarial method. Many had difficulty in determining the intent. The new definition rather than describing the actuarial method, merely indicates it is the method to be followed. This is a well recognized term in the mathematics of finance and has also a long judicial history under the U.S. rule (*Story v. Livingston* (38 U.S. 359) 1839).

There are at least seven methods for computing the "simple" annual rate on the declining balance and though they all produce nearly similar results, the actuarial method is considered to be the most accurate. This method assumes that a uniform periodic rate is applied to a schedule of installment payments such that the principal is reduced to zero upon completion of the payments. The actuarial rate is such periodic rate multiplied by the number of periods in a year.

The definition also permits a creditor to simplify the computation by ignoring slight irregularities in the payment schedule, such as a deferred first payment, or one odd-sized payment. This will greatly simplify compliance while maintaining reasonable accuracy.

Section 3(f)(2)—"Other methods".—The Board is also given the power to prescribe other methods for determining the annual percentage rate. For example, the constant-ratio method, which is in the Massachusetts law, could be used for highly irregular contracts. It is possible to develop formulas or other shortcut procedures based on the constant-ratio method which would be much simpler than the actuarial method.

Section 3(f)(3)—"Annual rate on open-end credit".—The annual percentage rate on open-end or revolving credit is defined as the

periodic rate times the number of periods in a year. This is exactly equivalent to the actuarial rate.

Section 3(f)(4)—“Bracket rates”.—The definition makes it clear that creditors who determine their finance charges on the basis of a bracketed amount of credit can compute the annual percentage rate on the basis of the midpoint of the bracket. For example, assume a mail-order house charges a flat \$20 for purchases ranging between \$140 and \$150. Under the new language, a creditor could compute the rate for \$145 and disclose it for all transactions within the bracket, whether they were \$140.01 or \$149.99.

Section 3(g)—Definition of “open-end credit”.—This definition of open-end credit is identical to the original S. 5 and is similar to the language used in many State retail installment sales acts. The essential characteristics of open-end credit are that credit transactions are entered into from time to time, payments are made from time to time, and finance charges are computed on the unpaid balances from time to time. The definition is intended to include all plans permitting credit transactions from time to time, such as charge accounts and credit card accounts, even though the creditor does not normally compute a finance charge on the outstanding unpaid balance.

Section 3(h)—Definition of “installment open-end credit”.—This is a new definition made necessary by the committee’s treatment of disclosing an annual rate on open-end credit plans under section 4(d).

Open-end or revolving credit plans would be exempt from the annual rate requirement except for “installment open-end credit plans.” Such plans are ordinarily used to finance large purchases and are distinguished from ordinary revolving credit by the extended length of time permitted for repayment and the maintenance of a security interest in the merchandise. Such plans would be covered if 60 percent or less of any amount of credit was payable in 1 year, or if the seller maintained a security interest, or if accelerated payments are applied to future payments.

Section 3(i)—Definition of “first mortgage credit”.—This is also a new definition made necessary by the committee’s recommendation that first mortgage credit be exempted from the bill. Such exemption is included under section 8. The committee felt that consumers were already receiving adequate information. In this area, second or higher mortgages would be covered under the bill.

Section 3(j)—Definition of “organization”.—Defines an organization as a corporation, government or governmental subdivision or agency, business or other trust, estate, partnership, or association. Credit to such entities would be excluded from the provisions of the bill.

SECTION 4. DISCLOSURE OF FINANCE CHARGES

Section 4(a)—Requirement to disclose.—This is a prefatory section setting forth the basic requirement to disclose. It is similar to the original S. 5, except that it is made clear that disclosure need only be made to persons “upon whom a finance charge is or may be imposed.” Thus, the disclosure requirement would not apply to transactions which are not commonly thought of as credit transactions, including trade credit, open account credit, 30-, 60-, or 90-day credit, etc., for which a charge is not made.

Section 4(b)—Disclosure on retail credit.—The original S. 5 covered retail and lender credit under subsection 4(a). The committee bill

splits retail and lender credit into two subsections—4(b) and 4(c). The reason for this change is to emphasize the fact that Congress recognizes the difference between these two forms of credit and does not deny the validity of the time-price doctrine upon which most retail credit is legally justified. This should prevent the act from being used as ammunition in any litigation challenging the time-price doctrine. Many retailers had expressed concern over this possibility.

Section 4(b)(1)–4(b)(3)—Disclosure of cash price and trade-in allowances.—These subsections are similar to the original S. 5 and are also common to most retail installment sales acts.

Section 4(b)(4)—Disclosure of other charges.—The new version clarifies S. 5 by restricting disclosure to those charges “which are included in the amount of the credit extended.” The original S. 5 was ambiguous on this point and could have been interpreted as requiring charges not included in the credit to be listed in the total amount to be financed, which is a logical contradiction.

Section 4(b)(5)—Disclosure of amount to be financed.—This is the total amount of credit, after adding in all other charges other than finance charges. The language is similar to the original S. 5.

Section 4(b)(6)—Disclosure of finance charge.—This section sets forth the requirement to disclose the finance charge in dollars and cents. The committee bill adds a new reference to labeling the finance charge as a “time-price differential” to reinforce the distinction between lender credit and retail credit.

Section 4(b)(7)—Disclosure of annual percentage rate.—The committee bill exempts retail creditors from disclosing an annual percentage rate if the finance charge is less than \$10. The original S. 5 did not provide for such an exemption. The purpose of this amendment by the committee was to simplify compliance, particularly for small retail businesses. Many retailers impose a fixed minimum charge on installment contracts, regardless of the amount of credit. It will be easier to develop rate tables if these transactions are exempted.

Section 4(b)(8)—Disclosure of repayment schedule.—The original S. 5 required disclosure of the “time and amount of payments.” The committee bill requires the “number, amount, and due dates or periods.” This makes it clear that a creditor can disclose “36 monthly payments of \$20 due on the first of each month beginning in July” without actually listing the date of each individual payment.

Section 4(b)(9)—Disclosure of late payment penalties.—This language is similar to the original S. 5 except that the requirement to indicate the terms applicable in the event of advanced payment has been deleted. Most creditors will rebate an unearned finance charge if the debt is paid early in accordance with the “rule of 78’s.” This is a complicated formula which would require at least a three-paragraph explanation to be intelligible to the average consumer.

Section 4(b)—Time of disclosure.—The original of S. 5 required disclosure “prior to the consummation of the transaction.” The committee bill substitutes “before the credit is extended” with a stipulation that the disclosure can be made on the contract or other document to be signed by the consumer. This obviates the need for a separate piece of paper showing the disclosure items.

Section 4(b)—Disclosure for mail or telephone sales.—This permits mail-order houses to comply with the act by disclosing prior to the first payment providing the general terms of financing are set forth

in the catalog. A similar provision is contained in the Massachusetts law. No such provision was in the original S. 5.

Section 4(c)—Disclosure on lender credit.—This is a new subsection written to distinguish between lender and retail credit. It is a residual category encompassing all credit other than retail credit or open-end credit which are defined elsewhere in section 3. Hence, no definition of loan is provided as it would fall within the general definition of credit. Financial institutions such as banks, credit unions, savings banks, savings and loan associations, industrial banks, and consumer finance companies would fall under this subsection. Similar changes, described under section 4(b) for retail credit, have also been incorporated in the lender section.

Section 4(d)(1)—Disclosure of open-end credit.—This section applies to open-end credit plans.

Section 4(d)(2)—Disclosure when the account is opened.—This section outlines the disclosures to be made when the account is opened.

Section 4(d)(2)(A)—Disclosure of conditions of plan.—This section requires the disclosure of the basic conditions of the plan. It clarifies the original S. 5 by requiring the disclosure of the time period, if any, for avoiding finance charges. For most department store revolving accounts, this will be the time from the date of the purchase to the end of the billing period plus an additional 30 days.

Section 4(d)(2)(B)—Disclosure of billing system.—This is a new requirement not in the original S. 5 and is in accordance with Mr. Batten's recommendations when he testified for J. C. Penney's. As Mr. Batten pointed out, there is a substantial difference in dollar cost between the opening-balance method and the adjusted-balance method. This paragraph would require the disclosure of whatever method was followed.

The opening-balance method charges on the opening balance unless paid in full within 30 days. Some stores count returns as payments, while others do not. The adjusted-balance method charges on the basis of the opening balance less any payments and returns during the month. Some stores use the adjusted-balance method but do not count returns. About 60 percent of department stores use the opening balance method and about 40 percent use the adjusted-balance method.

Section 4(d)(2)(C)—Disclosure method of determining the finance charge.—This paragraph requires disclosure of the complete method for determining the finance charge including the imposition of any fixed or minimum fees. Many department stores have minimum fees while bank check credit plans often have a 25-cents-per-check charge. By requiring separate disclosure of these charges, the new version also recognizes such charges cannot be included in the rate.

The section also requires disclosure of the periodic rate. In addition, installment open-end credit plans, as defined by section 3(h), would disclose the annual percentage rate which would be 12 times the monthly rate.

This provision reflects a major recommendation of the committee to exempt open-end credit plans from the annual rate, but to include installment open-end credit plans.

Such plans are ordinarily used to finance large purchases and are distinguished from ordinary revolving credit by the extended length of time permitted for repayment and the maintenance of a security interest in the merchandise. Such plans would be covered if less than 60 percent of any amount of credit was payable in 1 year, or if the

seller maintained a security interest, or if accelerated payments are applied to future payments.

The purpose of this distinction is to eliminate any incentive to convert closed-end installment credit to revolving credit merely to escape annual rate disclosure. The amendment also provides greater comparability between installment open-end credit plans and installment closed-end credit plans. Smaller merchants who extend credit through installment contracts can compete on a comparable basis with the larger stores who use extended payment revolving credit.

Section 4(d)(2)(D)—Disclosure of method of determining other charges.—This is also a new provision. It has been included in the event the Board determines the 25-cents-a-check charge on bank check credit plans or similar charges are not finance charges. In any event, they would be required to be disclosed.

Section 4(d)(3)—Disclosure on periodic statements.—This subsection outlines the disclosure which must be made on the periodic statements. It differs from the original S. 5 by explicitly not requiring a statement if there is no balance in the account.

Section 4(d)(3)(A)—Disclosure of opening balance.—Requires disclosure of the opening balance and is similar to the original S. 5.

Section 4(d)(3)(B)—Disclosure of transactions during period.—Requires a statement of credit transactions during the period and is similar to the original S. 5.

Section 4(d)(3)(C)—Disclosure of payments during period.—Requires disclosure of payments or returns during the period and is similar to the original S. 5.

Section 4(d)(3)(D)—Disclosure of the amount of finance charge.—This requires a statement of the finance charge similar to the original S. 5; however, it also requires that this charge be broken down to specify how much is due to a percentage rate and how much is due to a fixed or minimum fee. For example, the monthly charge on a revolving check credit plan would have to show how much was due to the 25-cents-per-check charge and how much due to the 1-percent monthly rate. This will insure direct comparability between the finance charge and the rate.

Section 4(d)(3)(E)—Disclosure of the balance on which the finance charge was computed.—This paragraph is similar to the original S. 5 but it adds the requirement to state the method for determining the balance. For example, stores which use the adjusted balance method might have a statement along the following lines: "You will be charged 1½ percent of your opening balance less any payments and returns during the month." Stores which use the opening balance method might indicate: "You will be charged 1½ percent of your opening balance unless paid in full within the month."

Section 4(d)(3)(F)—Disclosure of the rate of finance charge.—The committee's recommendation to partially exempt open-end credit from the annual rate is also implemented under this section. All open-end credit plans would disclose a periodic (monthly) rate on the periodic statements. In addition, installment open-end credit plans would disclose an annual rate for the reasons outlined under section 4(d)(2)(C). The original S. 5 would have required all open-end credit plans to disclose an annual rate.

Section 4(d)(3)(G)—Disclosure of closing balance.—Requires disclosure of closing balance and is similar to the original S. 5.

Section 4(d)(3)(H)—Disclosure of the time for avoiding a finance charge.—This is a new provision. The creditor would indicate, for example: "If you pay your bill within 30 days you will not be charged." It reinforces the idea of a "free ride" period for which there is no charge. This is also in line with Governor Robertson's testimony.

Section 4(e)—Acknowledgment of disclosure.—This is a new provision designed to facilitate the free flow of credit paper. It provides a bank or finance company with assurance that the original dealer has made the required disclosure and that the bank or finance company will not be liable for any failure, on the dealer's part, to make disclosure.

Section 4(f)—Method of disclosure.—This section contains four new provisions designed to facilitate compliance.

In order to reduce needless paperwork, disclosure need only be made to one obligor. For example, if two people (e.g. a husband and wife) are the obligors, only one copy of the contract with the required disclosure information would need to be furnished. A similar provision is contained in the Massachusetts General Laws (ch. 140A, sec. 4).

In order to afford greater flexibility, the required information need not be furnished in the order outlined in the act. This provision is common in retail installment acts.

In order to facilitate compliance, language different from that contained in the act can be used if it conveys substantially the same meaning. This provision will ease the compliance with both State and Federal law in a single disclosure statement.

In order to provide greater clarity, additional explanations of disclosed information is expressly permitted.

Section 4(g)—Compliance with comparable State laws is compliance with Federal law.—This is a new provision. It is intended to avoid duplication of Federal and State requirements, to leave State requirements untouched as much as possible, and to permit a creditor to avoid double paperwork. If he complies with the applicable State disclosure law, he need supply only the additional information required by the Federal act to comply with such Federal act. It also makes it clear the Congress does not intend to preempt consistent State laws but merely to build upon them.

Section 4(h)—Adjustments after the contract do not violate the disclosure made.—This is similar to the original S. 5; however, the original version only applied to adjustments through "mutual consent of the parties." The present version adds: "or as permitted by law, or as the result of any act or occurrence subsequent to the delivery of the required disclosures." A repossession permitted by State law but not mutually agreed to by both parties would affect the rate. The new language makes it clear that such a change would not violate, the act.

Section 4(i)—Optional form of rate statement.—The subcommittee amended the bill to permit a rate statement either in percentage terms or as dollars per hundred per year. In all cases, however, the rate would be on the declining balance of credit. For example, if the effective annual rate, as measured by the actuarial method was 12 percent, the creditor could either disclose 12 percent per year or \$12 per hundred per year. This option will terminate on January 1, 1972. After that date, all creditors would use the percentage form of expressing the rate.

The purpose of this change was to minimize any possible conflict with State usury laws in those States where the percentage form of

rate expression might cause a legal problem for some creditors. However, all creditors will be required to use the percentage form after January 1, 1972, since by that time, any such problems with the usury laws will have had ample time to be corrected.

SECTION 5. REGULATIONS

Section 5(a)(1)—Prescribing methods for determining the annual rate.—This expands upon the original S. 5 by specifically authorizing the use of rules, charts, tables, or other devices. Such express authority was recommended by the Commerce Department.

Section 5(a)(2)—Methods of disclosing.—This section gives the Board authority to prescribe methods to insure the required information is disclosed clearly and conspicuously. Similar provisions were included in the original S. 5.

Section 5(a)(3)—Tolerances.—This section gives the Board authority to prescribe reasonable tolerances. A similar provision was in the original S. 5.

Section 5(b)—Prescribing tolerances.—This is a considerable expansion of the original S. 5 which merely provided the Board authority to establish "reasonable" tolerances. Governor Robertson, in his testimony, requested a quantitative definition of "reasonable."

Section 5(b)(1)—Tolerance on single rate situations.—This paragraph covers simple situations where a creditor uses a single add-on, discount, or periodic rate to determine the finance charge. For example, a bank which uses a 6-percent, add-on rate would know immediately that the actuarial equivalent was 10.90 percent on a 12-month contract. A credit union would instantly know that 1 percent per month was 12 percent a year. In such cases a tolerance to the nearest quarter of 1 percent is prescribed.

Section 5(b)(2)—Tolerance for tables.—This paragraph covers more complex situations where the creditor determines the finance charge in a more complicated manner such as a combination of monthly rates (e.g. 3 percent on the first \$300; 2 percent on the next \$200; and 1½ percent on the excess); or perhaps he determines the charge by an add-on rate of 10 percent plus a fixed charge of \$10. In such cases the answer would be provided by a rate table. The bill authorizes a tolerance of 8 percent to be built into the table. This does not refer to 8 percentage points, but to 8 percent of the rate. For example, if the actual rate were 12 percent, the tolerance would be 0.96 percent (8 percent times 12 percent) or almost 1 percentage point. Thus, the tolerance would vary depending upon the size of the rate. For credit at 6 percent, the tolerance would be roughly one-half of a percentage point. At 12 percent it would be 1 percentage point. At 24 percent it would be 2 percentage points and so on. A provision is added to penalize any creditor who willfully uses these tolerances so as to always understate the rate. The purpose of the tolerance is to simplify the construction of tables so that they do not have to be overly detailed. With such tolerances, the disclosed rate should, on the average, be slightly over the actual rate half the time and slightly under the actual rate half the time.

Section 5(b)(3)—Tolerance for other situations.—This paragraph authorizes the Board to prescribe other reasonable tolerances for creditors who do not wish to use tables in computing the rate.

Section 5(b)(4)—Tolerance for irregular payment situations.—This paragraph would permit the Board to prescribe even greater tolerances for irregular payment situations. It is expected, for example, that the Board will permit creditors to disregard a certain number of skip payments in computing the rate. In such a case, the rate computed as though the contract were a level payment contract might vary 2 or 3 percentage points from the actual rate. These irregular situations would be in excess of the slight irregularities already recognized under section 3(f)(1), for which authority is provided to disregard.

Section 5(c)—Authority to prescribe adjustments and exceptions.—This section gives the Board authority to prescribe adjustments and exceptions for any classes of transactions in order to prevent circumvention and facilitate compliance. This is similar to the original S. 5 except that the phrase “to facilitate compliance by creditors with this Act or any regulations issued hereunder” has been added as an additional authority for prescribing such adjustments or exceptions. Also “the Board may consider, among other things, whether substantial compliance with the disclosure requirements of this Act is being achieved under any Act of Congress or any State law or regulations under either” the words “among other things” were added at Governor Robertson’s suggestion to make it clear these are not the only things the Board will consider. The phrase “or any State law or regulations under either” has also been added.

Section 5(d)—Consultation with other agencies.—This section indicates the Board may consult with any agency, which in the Board’s judgment exercises regulatory functions with respect to any class of transactions. The original S. 5 required such consultation of all agencies which exercise such regulatory functions. Thus, the present language leaves it up to the Board as to who should be consulted. This is designed to overcome Governor Robertson’s concern that the Board’s regulations might be challenged because it hadn’t consulted a particular agency.

Section 5(e)—Advisory committee.—This section requires the Board to establish an industry advisory committee. This differs from the original S. 5 in that the limitation of nine members has been removed and the per diem allowance is increased from \$25 to \$100 per day. The latter change is in line with Governor Robertson’s observation that few members would be available at the lower figure. However, the section was not deleted as Governor Robertson recommended, again largely to emphasize the high importance Congress attaches to consultation with industry. The limitation of nine has been removed to overcome the objection that this might deny adequate representation to some specialized segment of the industry.

SECTION 6. EFFECT ON STATE LAWS

Section 6(a)—Relationship of Federal law to State law.—This section sets forth the basic policy that the Federal statute does not preempt State legislation.

The original version of S. 5 said the act did not annul State law unless the State law was “directly inconsistent.” The committee bill drops the word “directly” and adds the further stipulation that inconsistent State laws are annulled “only to the extent of the inconsistency.” The word “directly” was dropped because there is no apparent difference between inconsistent or directly inconsistent.

The added phrase makes clear that S. 5 does not preempt an entire body of State law should an inconsistency arise in one case.

A new sentence was added at the end of the section 6(a) to make the intent of Congress clear that it does not regard the annual percentage rate as an interest rate within the meaning of the usury statutes or the judicial interpretations of the time price doctrine. This language should make it difficult for anyone to cite S. 5 as evidence in any legal proceeding challenging a credit transaction under the usury statutes or challenging the interpretation of the time price doctrine. The language was supplied by the General Counsel of the Department of Commerce who recommended such a provision in the Department's report on the bill.

Section 6(b)—Exemption when State laws are similar.—This section permits the Board to exempt creditors from the Federal law if State law requires similar disclosures.

This section is similar to the original S. 5 except that the Board can exempt creditors covered by a State law which is "substantially similar" to the Federal law. The original version of S. 5 only authorized exemptions if the State law required the "same information." Also the provision was reworded to make it clear the Board is only responsible for reviewing the law and not the effectiveness of the administration of the law. These changes are in line with Governor Robertson's suggestions.

A new provision was also added requiring the Board to make a determination that the State law has adequate provisions for enforcement.

SECTION 7. CIVIL AND CRIMINAL PENALTIES

Section 7(a)—Civil penalties.—This section sets forth civil penalties of double the finance charge with a minimum of \$100 and a maximum of \$1,000. This section was amended by the committee to permit a creditor to defend against a civil action by proving the failure to disclose was an unintentional error. However, the burden of proof would be on the creditor, and he would have to establish, by a preponderance of evidence, that such error was unintentional. The amendment also permits a creditor to escape liability for an error if the creditor discovers it first and makes whatever adjustments are necessary to insure that the consumer will not pay a finance charge in excess of the amount or percentage rate actually disclosed. The committee also reduced the maximum penalty from \$2,000 to \$1,000.

Section 7(b)—Criminal penalties.—Criminal penalties of \$5,000 or 1 year imprisonment or both are specified. These are identical to the original S. 5. However, the words "willfully and knowingly" were added as a condition for giving false or inaccurate information. Also, the section now makes it clear that the Attorney General will enforce the criminal penalties section. This is in keeping with Governor Robertson's testimony that the Board did not have any trained investigators or law enforcement officials.

Section 7(c)—Exemption for governments.—This section exempts the Federal Government and State and local governments from civil and criminal liabilities. Similar provisions were contained in the original S. 5.

Section 7(d)—Exemption for overstatement.—Creditors would be relieved of any civil or criminal penalty by overstating the annual percentage rate. The original bill provided for such an exemption from

civil penalties only if the overstatement was due to an "erroneous computation." There was some doubt about the meaning of this phrase. The original bill also had no such exemption under the criminal penalties section.

SECTION 8. EXCEPTIONS

Section 8(1)—Business credit.—This section contains an exemption from the act of credit for "business or commercial purposes" or to governments. The original S. 5 would have exempted credit to "business firms as such." This left an element of doubt with respect to credit granted to farmers, proprietorships, or self-employed professionals. This doubt is now clarified by the definition of credit under section 3(b) as credit for person other than an organization and "primarily for personal, family, household, or agricultural purposes." Credit for business or commercial purposes is exempted.

Section 8(2)—Stockbroker margin loans.—This section continues the original S. 5 exemption for margin loans made by stockbrokers. SEC already has the power to require such disclosure under the 1933 Securities Act.

Section 8(3)—Credit in excess of \$25,000.—This is a new provision included on the recommendation of Governor Robertson. The exemption would not apply to real estate credit transactions. The purpose is to provide an objective test between consumer credit and business credit so as not to require the creditor to inquire continuously as to the purpose of the credit. If a credit transaction is under \$25,000 and the creditor is uncertain if it is a business or consumer transaction, he will tend to assume it to be a consumer transaction to avoid violation. If it is over \$25,000 he can safely assume it to be a business transaction without worrying about violation.

Section 8(4)—First mortgages.—The committee amended the original S. 5 by exempting first mortgage credit. The committee felt that consumers were already receiving adequate information in this area.

SECTION 9. REPORTS

Section 9—Reports.—This is a new section added by the committee requiring annual reports from the Federal Reserve Board and the Attorney General on the administration of their functions. In addition, the Board would estimate the extent to which compliance was being achieved.

SECTION 10. EFFECTIVE DATE

Section 10—Effective date.—The original S. 5 would have been effective upon 6 months of enactment.

The effective date of the bill was postponed by the committee to July 1, 1969. The purpose of the change is to permit the States to amend their usury statutes in those cases where the disclosure of an annual percentage rate might possibly cause a legal problem. In addition, the later date permits the States to pass similar disclosure legislation, thereby securing an exemption from the Federal law.

INDIVIDUAL VIEWS BY MR. BENNETT

I have given my support to this measure providing standards of disclosure for consumer credit because it is the best solution that we have been able to work out over the past 7 years.

This bill bears little resemblance to that introduced at the beginning of this session and even less resemblance to the original bill of several years ago. We have come a long way in making the bill more workable while preserving the major goal of comparability as much as possible.

I feel that the consumer credit industry, bankers, retailers, and other lenders deserve a great deal of the credit for making a workable bill possible. I believe that I am safe in saying that none of them are completely satisfied with this bill, but they have given of their time; and their suggestions based on actual practical operating experience have been invaluable to the committee.

From the very beginning, I have subscribed to the principle of full and meaningful disclosure of credit costs. I don't believe that any responsible person could favor misrepresentation or willful withholding of information which could be reasonably disclosed and which would make it possible for consumers to compare alternative sources of goods and services. This is the basis on which our market system is built and has become so successful. On the other hand, one must avoid setting up rigid requirements which cannot be complied with easily by credit grantors or the result is an increase in costs which ultimately are passed on to the consumer.

Because there are many sources of credit both from lenders and sellers and credit is granted for a variety of purposes and under varied circumstances, it is completely natural that programs for granting credit developed along different lines and that credit costs were expressed in different ways. The objective of the original "truth-in-lending" proposal was to replace the many different methods of credit cost disclosure with a uniform statement as a simple annual rate.

A careful consideration of credit plans available led to the conclusion that all cannot be forced into one pattern of a simple annual rate statement in advance of the transaction without serious inaccuracies and inequities. Attempts to bring about such a statement resulted in the 7-year stalemate during which this proposal has been pending.

The bill reported by the committee has broken the stalemate with a compromise on this basic conflict. The compromise is not completely satisfactory or equitable. It requires some changes in every present credit pattern with more serious problems for some creditors than for others. Any compromise is somewhat arbitrary and this one is no exception. It has been built, however, on all of the information that was available to the committee, and while I would have preferred a solution that would have been less restrictive, less arbitrary, and less disruptive to credit practices, this is an approach to a most difficult problem.

The bill also provides that in addition to the required disclosure information, other information may be disclosed to the consumer as long as it is accurate. To me, this is a major provision. It is important, because credit plans differ in so many respects that one set of required items cannot completely show the differences which may be very important if a consumer is truly interested in making a rational decision.

I have been very concerned over the past 7 years that Federal legislation would, by moving into a field heretofore reserved to the States, preempt State laws and thus cause State legislative and administrative bodies to give up one more of their responsibilities to a central government. I do not feel that this is desirable and therefore would have preferred a uniform solution on the State level. The drafting work that has been and is being done by the National Conference of Commissioners on Uniform State Laws continues to represent the best overall solution to proper handling of consumer credit transactions. We have attempted in this proposed Federal bill to provide guidelines which the States may follow and continue to maintain jurisdiction over consumer credit transactions. I am not completely convinced that we have solved the jurisdictional problem, but it is my firm hope that the States will continue in their efforts to improve their consumer credit legislation and thus make this Federal bill both unnecessary and inoperative.

WALLACE F. BENNETT.



Calendar No. 378

90TH CONGRESS
1ST SESSION

S. 5

[Report No. 392]

IN THE SENATE OF THE UNITED STATES

JANUARY 11, 1967

Mr. PROXMIRE (for himself, Mr. BARTLETT, Mr. BREWSTER, Mr. CASE, Mr. CLARK, Mr. DODD, Mr. GRUENING, Mr. HART, Mr. INOUE, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. LAUSCHE, Mr. MAGNUSON, Mr. MCGEE, Mr. MONDALE, Mr. MORSE, Mr. MOSS, Mr. NELSON, Mr. PELL, Mr. RANDOLPH, Mr. TYDINGS, Mr. YARBOROUGH, and Mr. YOUNG of Ohio) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

JUNE 29, 1967

Reported by Mr. PROXMIRE, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "*Truth in Lending Act*".

4 DECLARATION OF PURPOSE

5 SEC. 2. The Congress finds and declares that economic
6 stabilization would be enhanced and that competition among

1 the various financial institutions and other firms engaged in
 2 lending or the extension of credit would be strengthened
 3 by the informed use of credit for the acquisition of property
 4 and services. The informed use of credit results from an
 5 awareness of the cost thereof to the user. It is the purpose
 6 of this Act to assure a full disclosure of such cost with a
 7 view to promoting the informed use of credit to the benefit
 8 of the national economy.

9 **DEFINITIONS**

10 **SEC. 3.** As used in this Act, the term—

11 ~~(1)~~ “Board” means the Board of Governors of the
 12 Federal Reserve System.

13 ~~(2)~~ “Credit” means any loan, mortgage, deed of trust,
 14 advance, or discount; any conditional sales contract; any
 15 contract to sell or sale, or contract of sale of property or serv-
 16 ices, either for present or future delivery, under which part
 17 or all of the price is payable subsequent to the making of such
 18 sale or contract; any rental-purchase contract; any contract
 19 or arrangement for the hire, bailment, or leasing of property;
 20 any option, demand, lien, pledge, or other claim against, or
 21 for the delivery of, property or money; any purchase, or
 22 other acquisition of, or any credit upon the security of, any
 23 obligation or claim arising out of any of the foregoing; and
 24 any transaction or series of transactions having a similar
 25 purpose or effect.

1 ~~(3)~~ "Finance charge" means the sum of all the charges
2 incurred by the borrower for the extension or use of credit
3 and shall include, but not by way of limitation, loan fees,
4 service and carrying charges, discounts, interest, time price
5 differentials, and investigators' fees.

6 ~~(4)~~ "Total amount to be financed" means the total
7 credit extended, excluding the finance charge.

8 ~~(5)~~ "Annual percentage rate" means the percentage
9 rate per period expressed as a per centum per annum. It
10 shall be computed by multiplying the percentage rate per
11 period by the number of periods per year.

12 ~~(6)~~ "Percentage rate per period" means the percentage
13 ratio of the finance charge for the period for which the
14 charge is made to the unpaid balance of the total amount
15 to be financed.

16 ~~(7)~~ "Period" means the time interval between the pay-
17 ments specified in the credit agreement for repayment of the
18 total amount to be financed.

19 ~~(8)~~ "Creditor" means any person engaged in the busi-
20 ness of extending credit (including any person who as a
21 regular business practice makes loans or sells or rents prop-
22 erty or services on a time, credit, or installment basis, either
23 as principal or as agent) who requires, as an incident to the
24 extension of credit, the payment of a finance charge.

25 ~~(9)~~ "Person" means any individual, corporation, part-

1 nership, association, or other organized group of persons, or
 2 the legal successor or representative of the foregoing, and
 3 includes the United States or any agency thereof, or any
 4 other government, or any of its political subdivisions, or any
 5 agency of the foregoing.

6 DISCLOSURE OF FINANCE CHARGES

7 SEC. 4. (a) Except as provided in subsection (b), any
 8 creditor shall furnish to each person to whom credit is
 9 extended, prior to the consummation of the transaction, a
 10 clear statement in writing setting forth, to the extent appli-
 11 cable and ascertainable and in accordance with rules and
 12 regulations prescribed by the Board, the following infor-
 13 mation—

14 (1) the cash price or delivered price of the prop-
 15 erty or service to be acquired;

16 (2) the amounts, if any, to be credited as down-
 17 payment and/or trade-in;

18 (3) the difference between the amounts set forth
 19 under clauses (1) and (2);

20 (4) the charges, individually itemized, which are
 21 paid or to be paid by such person in connection with
 22 the transaction but which are not incident to the ex-
 23 tension of credit;

24 (5) the total amount to be financed (the sum of
 25 the amounts set forth under (3) and (4), above);

~~(6)~~ the finance charge in dollars and cents;

~~(7)~~ the finance charge expressed as an annual percentage rate to be computed as set forth in section 3-~~(5)~~;

~~(8)~~ the time and amount of payments scheduled to repay the indebtedness; and

~~(9)~~ the terms applicable in the event of advanced or delayed payments from those specified in ~~(8)~~ above.

~~(b)~~ Any creditor agreeing to extend credit to any person pursuant to a revolving or open-end credit plan shall, in accordance with rules and regulations prescribed by the Board—

~~(1)~~ furnish to such person, prior to agreeing to extend credit under such plan, a clear statement in writing setting forth the following information:

~~(i)~~ the periodic dates of the balances against which a finance charge will be imposed;

~~(ii)~~ the percentage rate per period of the finance charge to be imposed; and

~~(iii)~~ the periodic rate of finance charge expressed as an annual percentage rate.

~~(2)~~ furnish to such person, as of the end of each period following the entering into of any such agreement, a clear statement in writing setting forth to the extent applicable and ascertainable—

1 ~~(A)~~ the outstanding balance in the account of
2 such person as of the beginning of such period;

3 ~~(B)~~ the amount of each extension of credit to
4 such person ~~(including the cash price or delivered~~
5 ~~price of any property or service acquired by such~~
6 ~~person)~~ during such period and, unless previously
7 furnished, the date thereof and a brief identification
8 of any property or services so acquired;

9 ~~(C)~~ the total amount received from, or credit-
10 ed to the account of, such person during such period;

11 ~~(D)~~ the outstanding unpaid balance in the ac-
12 count of such person as of the end of such period;

13 ~~(E)~~ the annual percentage rate used to com-
14 pute the finance charge for such period;

15 ~~(F)~~ the balance on which the periodic finance
16 charge was computed; and

17 ~~(G)~~ the finance charge ~~(in dollars and cents)~~
18 imposed for such period.

19 As used in this subsection, the term "revolving or open-end
20 credit plan" means a credit plan describing the terms of
21 credit transactions which may be made thereunder from
22 time to time and under the terms of which a finance charge
23 may be computed on the outstanding unpaid balance from
24 time to time thereunder.

25 ~~(e)~~ If information disclosed in accordance with this

section and any regulations prescribed by the Board is subsequently rendered inaccurate as the result of a prepayment, late payment, or other adjustment in the credit agreement through mutual consent of the parties, the inaccuracy resulting therefrom shall not constitute a violation of this section.

REGULATIONS

SEC. 5. (a) The Board shall prescribe such rules and regulations as may be necessary or proper in carrying out the provisions of this Act. Such rules and regulations shall (1) include a description of (A) the methods which may be used in determining the annual percentage rate for the purpose of section 4, and (B) the size of type or lettering which shall be used in setting forth information required by such section, (2) prescribe reasonable tolerances of accuracy with respect to disclosing information under such section, and (3) require that such information be set forth in bold type and with sufficient prominence to insure that it will not be overlooked by the person to whom credit is extended. Any rule or regulation prescribed hereunder may contain such classifications and differentiations, and may provide for such adjustments and exceptions as in the judgment of the Board are necessary or proper to effectuate the purposes of this Act or to prevent circumvention or evasion, or to facilitate the enforcement of this Act, or any rule or regulation issued thereunder. In prescribing any exceptions hereunder with

1 respect to any particular type of credit transaction, the Board
2 shall consider whether in such transactions compliance with
3 the disclosure requirements of this Act is being achieved
4 under any other Act of Congress.

5 (b) In the exercise of its powers under this section,
6 the Board shall request the views of other Federal agencies
7 exercising regulatory functions with respect to creditors, or
8 any class of creditors, which are subject to the provisions
9 of this Act, and such agencies shall furnish such views upon
10 request of the Board.

11 (c) The Board shall establish an advisory committee,
12 consisting of not more than nine members, to advise and con-
13 sult with it in the exercise of its powers under this section.
14 In appointing members to such committee the Board shall
15 seek to achieve a fair representation of the interest of sellers
16 of merchandise on credit, lenders, and the public. Such com-
17 mittee shall meet from time to time at the call of the Board,
18 and members thereof shall be paid transportation expenses
19 and not to exceed \$25 per diem in lieu of subsistence, as
20 authorized by section 5 of the Act of August 2, 1946 (5
21 U.S.C. 73b-2).

22 EFFECT ON STATE LAWS

23 SEC. 6. (a) This Act shall not be construed to annul,
24 or to exempt any creditor from complying with, the laws
25 of any State relating to the disclosure of information in con-

1 nection with credit transactions, except to the extent that
2 such laws are directly inconsistent with the provisions of
3 this Act or regulations issued thereunder.

4 (b) The Board shall by regulation exempt from the
5 requirements of this Act any credit transactions or class of
6 transactions which it determines are effectively regulated
7 under the laws of any State so as to require the disclosure
8 by the creditor of the same information as is required under
9 section 4 of this Act.

10 CIVIL AND CRIMINAL PENALTIES

11 Civil Penalties

12 SEC. 7. (a) Any creditor who in connection with any
13 credit transactions fails to disclose to any person any infor-
14 mation in violation of this Act or any regulation issued there-
15 under shall be liable to such person in the amount of \$100,
16 or in any amount equal to twice the finance charge required
17 by such creditor in connection with such transaction, which-
18 ever is the greater, except that such liability shall not exceed
19 \$2,000 on any credit transaction. Action to recover such
20 penalty may be brought by such person within one year from
21 the date of the occurrence of the violation, in any court of
22 competent jurisdiction. In any such action, no person shall
23 be entitled to recover such penalty solely as the result of
24 the erroneous computation of any percentage required by

1 section ~~4(a)-(7)~~, ~~4(b)-(1)~~, or ~~4(b)-(2)-(E)~~ of this Act
2 to be disclosed to such person, if the percentage disclosed
3 to such person pursuant to this Act was in fact greater than
4 the percentage required by such section, or by the regulations
5 prescribed by the Board, to be disclosed. In any action
6 under this subsection in which any person is entitled to a
7 recovery, the creditor shall be liable for reasonable attor-
8 neys' fees and court costs as determined by the court. As
9 used in this subsection, the term "court of competent juris-
10 diction" means either any Federal court of competent juris-
11 diction regardless of the amount in controversy or any State
12 court of competent jurisdiction.

13 Criminal Penalties

14 (b) Any person who gives false or inaccurate informa-
15 tion or fails to provide information required to be disclosed
16 under the provisions of this Act or any regulation issued
17 thereunder or who otherwise willfully violates any provision
18 of this Act or any regulation issued thereunder shall be fined
19 not more than \$5,000 or imprisoned not more than one year,
20 or both.

21 (c) Except as specified in subsection (a) of this sec-
22 tion, nothing contained in this Act or any regulation there-
23 under shall affect the validity or enforceability of any contract
24 or transaction.

25 (d) No punishment or penalty provided by this Act

1 shall apply to the United States, or any agency thereof, or
 2 to any State, any political subdivision thereof, or any agency
 3 of any State or political subdivision.

4 EXCEPTIONS

5 SEC. 8. The provisions of this Act shall not apply to—

6 ~~(1)~~ credit transactions involving extensions of
 7 credit to business firms as such, governments, or govern-
 8 mental agencies or instrumentalities; or

9 ~~(2)~~ transactions in securities or commodities in
 10 accounts by a broker-dealer registered with the Secu-
 11 rities and Exchange Commission.

12 EFFECTIVE DATE

13 SEC. 9. The provisions of this Act shall take effect upon
 14 the expiration of one hundred and eighty days after the date
 15 of its enactment; except that section 5 shall take effect
 16 immediately.

17 *That this Act may be cited as the "Truth in Lending Act".*

18 DECLARATION OF PURPOSE

19 SEC. 2. *The Congress finds and declares that economic*
 20 *stabilization would be enhanced and that competition among*
 21 *the various financial institutions and other firms engaged in*
 22 *the extension of consumer credit would be strengthened by the*
 23 *informed use of credit. The informed use of credit results*
 24 *from an awareness of the costs thereof by consumers. It is*
 25 *the purpose of this Act to assure a full disclosure of such*

1 costs with a view to promoting the informed use of consumer
2 credit to the benefit of the national economy.

3 *DEFINITIONS*

4 *SEC. 3. For the purposes of this Act—*

5 (a) “Board” means the Board of Governors of the
6 Federal Reserve System.

7 (b) “Credit” means the right granted by a creditor to
8 a person other than an organization to defer payment of
9 debt or to incur debt and defer its payment, where the debt
10 is contracted by the obligor primarily for personal, family,
11 household, or agricultural purposes. The term does not in-
12 clude any contract in the form of a bailment or lease except
13 to the extent specifically included within the term “consumer
14 credit sale”.

15 (c) “Consumer Credit Sale” means a transaction in
16 which credit is granted by a seller in connection with the sale
17 of goods or services, if such seller regularly engages in credit
18 transactions as a seller, and such goods or services are pur-
19 chased primarily for a personal, family, household, or agri-
20 cultural purpose. The term does not include any contract in
21 the form of a bailment or lease unless the obligor contracts to
22 pay as compensation for use a sum substantially equivalent to
23 or in excess of the value of the goods or services involved, and
24 unless it is agreed that the obligor is bound to become, or for
25 no other or a merely nominal consideration has the option of

1 becoming, the owner of the goods upon full compliance with
2 the provisions of the contract.

3 (d)(1) "Finance charge" means the sum of all the
4 charges imposed directly or indirectly by a creditor, and pay-
5 able directly or indirectly by an obligor, as an incident to the
6 extension of credit, including loan fees, service and carrying
7 charges, discounts, interest, time price differentials, investi-
8 gators' fees, costs of any guarantee or insurance protecting the
9 creditor against the obligor's default or other credit loss, and
10 any amount payable under a point, discount, or other system
11 of additional charges.

12 (2) If itemized and disclosed under section 4, the term
13 does not include amounts collected by a creditor, or included
14 in the credit, for (A) fees and charges prescribed by law
15 which actually are or will be paid to public officials for deter-
16 mining the existence of or for perfecting or releasing or satis-
17 fying any security related to a credit transaction; (B) taxes;
18 (C) charges or premiums for insurance against loss of or
19 damage to property related to a credit transaction or against
20 liability arising out of the ownership or use of such property;
21 and (D) charges or premiums for credit life and accident
22 and health insurance.

23 (3) Where credit is secured in whole or in part by an
24 interest in real property, the term does not include, in addi-
25 tion to the duly itemized and disclosed costs referred to in

1 clauses (A), (B), (C), and (D) of paragraph (2), the
2 costs of (i) title examination, title insurance, or correspond-
3 ing procedures; (ii) preparation of the deed, settlement state-
4 ment, or other documents; (iii) escrows for future payments
5 of taxes and insurance; (iv) notarizing the deed and other
6 documents; (v) appraisal fees; and (vi) credit reports.

7 (e) "Creditor" means any individual, or any partner-
8 ship, corporation, association, cooperative, or other entity, in-
9 cluding the United States or any agency or instrumentality
10 thereof, or any other government or political subdivision or
11 agency or instrumentality thereof, if such individual or en-
12 tity regularly engages in credit transactions, whether in
13 connection with the sale of goods and services or otherwise,
14 and extends credit for which the payment of a finance
15 charge is required.

16 (f) (1) "Annual percentage rate" means, for the pur-
17 poses of sections 4(b) and 4(c), the nominal annual rate
18 determined by the actuarial method (United States rule).
19 For purposes of this calculation it may be assumed that:

20 (A) The total time for repayment of the total amount
21 to be financed is the time from the date of the trans-
22 action to the date of the final scheduled payment.

23 (B) All payments are equal if every scheduled pay-
24 ment in the series of payments is equal except one which

1 may not be more than double any other scheduled pay-
2 ment in the series.

3 (C) All payments are scheduled at equal intervals,
4 if all payments are so scheduled except the first payment
5 which may be scheduled to be paid before, on, or after
6 one period from the date of the transaction. A period of
7 time equal to one-half or more of a payment period may
8 be considered one full period.

9 (2) The Board may prescribe methods other than the
10 actuarial method, if the Board determines that the use of
11 such other methods will materially simplify computation while
12 retaining reasonable accuracy as compared with the rate
13 determined under the actuarial method.

14 (3) For the purposes of section 4(d), the term "equiv-
15 alent annual percentage rate" means the rate or rates com-
16 puted by multiplying the rate or rates used to compute the
17 finance charge for any period by the number of periods in
18 a year.

19 (4) Where a creditor imposes the same finance charge
20 for all balances within a specified range, the annual percent-
21 age rate or equivalent annual percentage rate shall be com-
22 puted on the median balance within the range for the pur-
23 poses of sections 4(b), 4(c), and 4(d).

24 (g) "Open-end credit plan" means a plan prescribing

1 *the terms of credit transactions which may be made there-*
2 *under from time to time and under the terms of which a*
3 *finance charge may be computed on the outstanding unpaid*
4 *balance from time to time thereunder.*

5 (h) *“Installment open-end credit plan” means an open-*
6 *end credit plan which has one or more of the following*
7 *characteristics: (1) creates a security interest in, or provides*
8 *for a lien on, or retention of title to, any property (whether*
9 *real or personal, tangible or intangible), (2) provides for*
10 *a repayment schedule pursuant to which less than 60 per*
11 *centum of the unpaid balance at any time outstanding under*
12 *the plan is required to be paid within twelve months, or*
13 *(3) provides that amounts in excess of required payments*
14 *under the repayment schedule are applied to future pay-*
15 *ments in the order of their respective due dates.*

16 (i) *“First mortgage” means such classes of first liens as*
17 *are commonly given to secure advances on, or the unpaid*
18 *purchase price of, real estate under the laws of the State in*
19 *which the real estate is located.*

20 (j) *“Organization” means a corporation, government*
21 *or governmental subdivision or agency, business or other*
22 *trust, estate, partnership, or association.*

23 DISCLOSURE OF FINANCE CHARGES

24 SEC. 4. (a) *Each creditor shall furnish to each person*
25 *to whom credit is extended and upon whom a finance charge*

1 is or may be imposed the information required by this
2 section, in accordance with regulations prescribed by the
3 Board.

4 (b) This subsection applies to consumer credit sales
5 other than sales under an open-end credit plan. For each
6 such sale the creditor shall disclose, to the extent applicable—

7 (1) the cash price of the property or service pur-
8 chased;

9 (2) the sum of any amounts credited as down-
10 payment (including any trade-in);

11 (3) the difference between the amounts set forth in
12 paragraphs (1) and (2);

13 (4) all other charges, individually itemized, which
14 are included in the amount of the credit extended but
15 which are not part of the finance charge;

16 (5) the total amount to be financed (the sum of
17 the amounts disclosed under (3) and (4) above);

18 (6) the amount of the finance charge (such charge,
19 or a portion of such charge, may be designated as a
20 time-price differential or as a similar term to the extent
21 applicable);

22 (7) the finance charge expressed as an annual
23 percentage rate, if the amount of such charge is \$10.00
24 or more;

1 (8) the number, amount, and due dates or periods
2 of payments scheduled to repay the indebtedness; and
3 (9) the default, delinquency, or similar charges pay-
4 able in the event of late payments.

5 Except as otherwise hereinafter provided, the disclosure re-
6 quired by this subsection shall be made before the credit is ex-
7 tended. Compliance may be attained by disclosing such infor-
8 mation in the contract or other evidence of indebtedness to be
9 signed by the obligor. Where a seller receives a purchase order
10 by mail or telephone without personal solicitation by a repre-
11 sentative of the seller and the cash price and deferred payment
12 price and the terms of financing, including the annual per-
13 centage rate, are set forth in the seller's catalog or other
14 printed material distributed to the public, the disclosure shall
15 be made on or before the date the first payment is due.

16 (c) This subsection applies to extensions of credit other
17 than consumer credit sales or transactions under an open-end
18 credit plan. Any creditor making a loan or otherwise extend-
19 ing credit under this subsection shall disclose, to the extent
20 applicable—

21 (1) the amount of credit of which the obligor will
22 have the actual use, or which is or will be paid to him or
23 for his account or to another person on his behalf;

24 (2) all charges, individually itemized, which are

1 included in the amount of the credit extended but which
2 are not part of the finance charge;

3 (3) the total amount to be financed (the sum of items
4 (1) and (2) above);

5 (4) the amount of the finance charge;

6 (5) the finance charge expressed as an annual per-
7 centage rate, if the amount of such charge is \$10.00 or
8 more;

9 (6) the number, amount, and due dates or periods of
10 payments scheduled to repay the indebtedness; and

11 (7) the default, delinquency, or similar charges
12 payable in the event of late payments.

13 Except as otherwise hereinafter provided, the disclosure re-
14 quired by this subsection shall be made before the credit is
15 extended. Compliance may be attained by disclosing such in-
16 formation in the note or other evidence of indebtedness to be
17 signed by the obligor. Where a creditor receives a request for
18 an extension of credit by mail or telephone without personal
19 solicitation by a representative of the creditor and the terms
20 of financing, including the annual percentage rate for repre-
21 sentative amounts of credit, are set forth in the creditor's
22 printed material distributed to the public, or in the contract
23 of loan or other printed material delivered to the obligor,

1 *the disclosure shall be made on or before the date the first*
2 *payment is due.*

3 *(d) (1) This subsection applies to open-end credit plans.*

4 *(2) Before opening any account under an open-end*
5 *credit plan, the creditor shall, to the extent applicable, disclose*
6 *to the person to whom credit is to be extended—*

7 *(A) the conditions under which a finance charge*
8 *may be imposed, including the time period, if any, within*
9 *which any credit extended may be repaid without incur-*
10 *ring a finance charge;*

11 *(B) the method of determining the balance upon*
12 *which a finance charge will be imposed;*

13 *(C) the method of determining the amount of the*
14 *finance charge (including any minimum or fixed amount*
15 *imposed as a finance charge), the percentage rate per*
16 *period of the finance charge to be imposed if any, and,*
17 *in the case of an installment open-end credit plan, the*
18 *equivalent annual percentage rate; and*

19 *(D) the conditions under which any other charges*
20 *may be imposed, and the method by which they will be*
21 *determined.*

22 *(3) For each billing cycle at the end of which there is an*
23 *outstanding balance under any such account, the creditor*
24 *shall disclose to the extent applicable—*

1 *(A) the outstanding balance in the account at the*
2 *beginning of the billing period;*

3 *(B) the amount and date of each extension of credit*
4 *during the period and, if a purchase was involved, a*
5 *brief identification (unless previously furnished) of the*
6 *goods or services purchased;*

7 *(C) the total amount credited to the account during*
8 *the period;*

9 *(D) the amount of any finance charge added to the*
10 *account during the period, itemized to show the amount,*
11 *if any, due to the application of a percentage rate and*
12 *the amount, if any, imposed as a minimum or fixed*
13 *charge;*

14 *(E) the balance on which the finance charge was*
15 *computed and a statement of how the balance was de-*
16 *termined;*

17 *(F) the rate, if any, used in computing the finance*
18 *charge and, in the case of an installment open-end credit*
19 *plan, the equivalent annual percentage rate;*

20 *(G) the outstanding balance in the account at the*
21 *end of the period; and*

22 *(H) the date by which, or the period (if any) within*
23 *which, payment must be made to avoid additional finance*
24 *charges.*

1 (4) If a creditor adds to this billing under an open-end
2 credit plan one or more installments of other indebtedness
3 from the same obligor, the creditor is not required to dis-
4 close under this subsection any information which has been
5 disclosed previously in compliance with subsection (b) or
6 (c).

7 (e) Written acknowledgment of receipt by a person to
8 whom a statement is required to be given pursuant to this
9 section shall be conclusive proof of the delivery thereof and,
10 unless the violation is apparent on the face of the statement,
11 of compliance with this section in any action or proceeding
12 by or against an assignee of the original creditor without
13 knowledge to the contrary by such assignee when he acquires
14 the obligation. Such acknowledgment shall not affect the rights
15 of the obligor in any action against the original creditor.

16 (f) If there is more than one obligor, a creditor may
17 furnish a statement of required information to only one of
18 them. Required information need not be given in the sequence
19 or order set forth in this section. Additional information or
20 explanations may be included. So long as it conveys sub-
21 stantially the same meaning, a creditor may use language or
22 terminology in any required statement different from that
23 prescribed by this Act.

24 (g) If applicable State law requires disclosure of items
25 of information substantially similar to those required by this

1 Act, then a creditor who complies with such State law may
2 comply with this Act by disclosing only the additional items
3 of information required by this Act.

4 (h) If information disclosed in accordance with this
5 section and any regulations prescribed by the Board is sub-
6 sequently rendered inaccurate as the result of a prepayment,
7 late payment, adjustment, or amendment of the credit agree-
8 ment through mutual consent of the parties or as permitted
9 by law, or as the result of any act or occurrence subsequent
10 to the delivery of the required disclosures, the inaccuracy re-
11 sulting therefrom shall not constitute a violation of this section.

12 (i) (1) Subject to paragraph (2)—

13 (A) whenever an annual percentage rate is re-
14 quired to be disclosed by this section, such rate may be
15 expressed either as a percentage rate per year, or as a
16 dollars per hundred per year rate of the average unpaid
17 balance; and

18 (B) whenever a rate other than an annual rate is
19 used to compute a finance charge and is required to be
20 disclosed under subsection (d), such rate may be ex-
21 pressed either as a percentage rate per period of the bal-
22 ance upon which the finance charge is computed, or as a
23 dollars per hundred per period rate of such balance.

24 (2) On and after January 1, 1972, all rates required

1 *to be disclosed by this section shall be expressed as percentage*
2 *rates.*

3 *REGULATIONS*

4 *SEC. 5. (a) The Board shall prescribe regulations to*
5 *carry out this Act, including provisions—*

6 *(1) describing the methods which may be used in*
7 *determining annual percentage rates under section 4,*
8 *including, but not limited to, the use of any rules, charts,*
9 *tables, or devices by creditors to convert to an annual*
10 *percentage rate any add-on, discount or other method of*
11 *computing a finance charge;*

12 *(2) prescribing procedures to ensure that the in-*
13 *formation required to be disclosed under section 4 is set*
14 *forth clearly and conspicuously; and*

15 *(3) prescribing reasonable tolerances of accuracy*
16 *with respect to disclosing information under section 4.*

17 *(b) In prescribing regulations with respect to reasonable*
18 *tolerances of accuracy as required by subsection (a)(3), the*
19 *Board shall observe the following limitations:*

20 *(1) The annual percentage rate may be rounded*
21 *to the nearest quarter of 1 per centum for credit transac-*
22 *tions payable in substantially equal installments when*
23 *a creditor determines the total finance charge on the*
24 *basis of a single add-on, discount, periodic, or other*
25 *rate, and such rates are converted into an annual*

percentage rate under procedures prescribed by the Board.

(2) The use of rate tables or charts may be authorized in cases where the total finance charge is determined in a manner other than that specified in paragraph (1). Such tables or charts may provide for the disclosure of annual percentage rates which vary up to 8 per centum of the rate as defined by section 3(f). However, any creditor who willfully and knowingly uses such tables or charts in such a manner so as to consistently understate the annual percentage rate, as defined by section 3(f), shall be liable for criminal penalties under section 7(b) of this Act.

(3) In the case of creditors determining the annual percentage rate in a manner other than as described in paragraph (1) or (2), the Board may authorize other reasonable tolerances.

(4) In order to simplify compliance where irregular payments are involved, the Board may authorize tolerances greater than those specified in paragraph (2).

(c) Any regulation prescribed hereunder may contain such classifications and differentiations and may provide for such adjustments and exceptions from this Act or the regulations thereunder for any class of transactions, as in the judgment of the Board are necessary or proper to effectuate

1 the purposes of this Act or to prevent circumvention or
2 evasion of, or to facilitate compliance by creditors with,
3 this Act or any regulation issued hereunder. In prescribing
4 exceptions, the Board may consider, among other things,
5 whether any class of transactions is subject to any State law
6 or regulation which requires disclosures substantially similar
7 to those required by section 4.

8 (d) In the exercise of its powers under this Act, the
9 Board may request the views of other Federal agencies which
10 in its judgment exercise regulatory functions with respect
11 to any class of creditors, and such agencies shall furnish
12 such views upon request of the Board.

13 (e) The Board shall establish an advisory committee,
14 to advise and consult with it in the exercise of its powers
15 under this Act. In appointing such members to such com-
16 mittee the Board shall seek to achieve a fair representation
17 of the interests of sellers of merchandise on credit, lenders,
18 and the public. Such committee shall meet from time to time
19 at the call of the Board, and members thereof shall be paid
20 transportation expenses and not to exceed \$100 per diem.

21 EFFECT ON STATE LAWS

22 SEC. 6. (a) This Act shall not be construed to annul,
23 alter or affect, or to exempt any creditor from complying
24 with, the laws of any State relating to the disclosure of
25 information in connection with credit transactions, except

1 to the extent that such laws are inconsistent with the provi-
2 sions of this Act, or regulations issued thereunder, and then
3 only to the extent of the inconsistency. This Act shall not
4 otherwise be construed to annul, alter or affect in any manner
5 the meaning, scope or applicability of the laws of any
6 State, including, but not limited to, laws relating to the
7 types, amounts or rates of charges, or any element or elements
8 of charges, permissible under such laws in connection with the
9 extension or use of credit, nor to extend the applicability of
10 such laws to any class of persons or transactions to which such
11 laws would not otherwise apply, nor shall the disclosure of
12 the annual percentage rate in connection with any consumer
13 credit sale as required by this Act be evidence in any action
14 or proceeding that such sale was a loan or any transaction
15 other than a credit sale.

16 (b) The Board shall by regulation exempt from the
17 requirements of this Act any class of credit transactions which
18 it determines are subject to any State law or regulation which
19 requires disclosures substantially similar to those required
20 by section 4, and contains adequate provisions for enforce-
21 ment.

22 (c) Except as specified in section 7, nothing contained in
23 this Act or any regulations issued thereunder shall affect the
24 validity or enforceability of any contract or obligation under
25 State or Federal law.

1 CIVIL AND CRIMINAL PENALTIES

2 SEC. 7. (a)(1) Any creditor who, in connection with
3 any credit transaction, knowingly fails in violation of this
4 Act, or any regulation issued thereunder, to disclose any
5 information to any person to whom such information is
6 required to be given shall be liable to such person in the
7 amount of \$100, or in any amount equal to twice the finance
8 charge required by such creditor in connection with such
9 transaction, whichever is the greater, except that such lia-
10 bility shall not exceed \$1,000 on any credit transaction.

11 (2) In any action brought under this subsection in which
12 it is shown that the creditor disclosed a percentage rate or
13 amount less than that required to be disclosed by section 4 or
14 regulations prescribed by the Board (after taking into ac-
15 count permissible tolerances), or failed to disclose information
16 so required, there shall be a rebuttable presumption that such
17 violation was made knowingly. Such presumption shall be
18 rebutted if the creditor shows by a preponderance of evidence
19 that the violation was not intentional and resulted from a
20 bona fide error notwithstanding the maintenance of proce-
21 dures reasonably adapted to avoid any such error: Provided,
22 That a creditor shall have no liability under this subsection if
23 within fifteen days after discovering the error, and prior to
24 the institution of an action hereunder or the receipt of writ-
25 ten notice of the error, the creditor notifies the person con-

1 cerned of the error and makes whatever adjustments in the
2 appropriate account as are necessary to ensure that such
3 person will not be required to pay a finance charge in excess
4 of the amount or percentage rate so disclosed.

5 (3) Any action under this subsection may be brought in
6 any court of competent jurisdiction within one year from the
7 date of the occurrence of the violation. In any such action in
8 which a person is entitled to recover a penalty as prescribed
9 in paragraph (1), the defendant shall also be liable for
10 reasonable attorneys' fees and court costs as determined by
11 the court.

12 (4) As used in this subsection, the term "court of com-
13 petent jurisdiction" means either any Federal court of com-
14 petent jurisdiction regardless of the amount in controversy,
15 or any State court of competent jurisdiction.

16 (b) Any person who knowingly and willfully gives
17 false or inaccurate information or fails to provide informa-
18 tion required to be disclosed under the provisions of this Act
19 or any regulation issued thereunder, or who otherwise know-
20 ingly and willfully violates any provision of this Act or any
21 regulation issued thereunder, shall be fined not more than
22 \$5,000 or imprisoned not more than one year, or both. The
23 responsibility for enforcing this subsection is hereby assigned
24 to the Attorney General.

1 (c) No punishment or penalty provided by this Act shall
2 apply to the United States, or any agency thereof, or to any
3 State, any political subdivision thereof, or any agency of any
4 State or political subdivision.

5 (d) No person shall be subject to punishment or penalty
6 under this Act solely as the result of the disclosure of a
7 finance charge or percentage which is greater than the amount
8 of such charge or percentage required to be disclosed by such
9 person under section 4, or regulations prescribed by the
10 Board.

EXCEPTIONS

12 *SEC. 8. The provisions of this Act shall not apply to—*

(1) credit transactions involving extensions of credit for business or commercial purposes, or to governments or governmental agencies or instrumentalities, or to organizations; or

(2) transactions in securities or commodities in accounts by a broker-dealer registered with the Securities and Exchange Commission;

(3) credit transactions, other than real property transactions, in which the total amount to be financed exceeds \$25,000; or

23 (4) transactions involving extensions of credit se-
24 cured by first mortgages on real estate.

REPORTS

1
2 *SEC. 9. Not later than January 3 of each year com-*
3 *mencing after the effective date of this Act, the Board of*
4 *Governors of the Federal Reserve System and the Attorney*
5 *General shall, respectively, make reports to the Congress con-*
6 *cerning the administration of their functions under this Act,*
7 *including such recommendations as the Board and the Attor-*
8 *ney General, respectively, deem necessary or appropriate.*
9 *In addition, reports of the Board of Governors of the Federal*
10 *Reserve System shall include the Board's assessment of the*
11 *extent to which compliance with the provisions of this Act,*
12 *and regulations prescribed thereunder, is being achieved.*

EFFECTIVE DATE

13
14 *SEC. 10. The provisions of this Act shall take effect upon*
15 *July 1, 1969; except that section 5 shall take effect immedi-*
16 *ately upon enactment.*

[Report No. 392]

A BILL

To assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit.

By Mr. PROXMIRE, Mr. BARTLETT, Mr. BREWSTER, Mr. CASE, Mr. CLARK, Mr. DODD, Mr. GRUENING, Mr. HART, Mr. INOUYE, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. LAUSCHE, Mr. MAGNUSON, Mr. MCGEE, Mr. MONDALE, Mr. MOSE, Mr. MOSS, Mr. NELSON, Mr. PELL, Mr. RANDOLPH, Mr. TYDINGS, Mr. YARBOROUGH, and Mr. YOUNG of Ohio

JANUARY 11, 1967

Read twice and referred to the Committee on
Banking and Currency

JUNE 29, 1967

Reported with an amendment

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued July 11, 1967
For actions of July 10, 1967
90th-1st; No. 105

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SENATE

1. APPROPRIATIONS. Passed with amendments H. R. 10368, the legislative appropriation bill. Conferees were appointed. pp. S9304-23
2. ECONOMY. The Joint Economic Committee made a report on "Economic Effect of Vietnam Spending," (S. Rept. 394). p. S9218
3. BUDGET. Sen. Bennett criticized the budget deficit and stated, "The administration has pushed ahead with spending on Office of Economic Opportunity projects,

swimming pools, golf courses, and subsidized recreation programs while blaming the war for budget deficits." He also inserted an article on this subject. pp. S9296-7

4. CONSERVATION. Sen. Young inserted a statement by Sen. Lausche "Mined Lands Reclamation," and a report from the Department of the Interior "Surface Mining and Our Environment." pp. S9238-40
Received from the Department of Transportation a report on guidelines for minimizing possible soil erosion from highway construction; to Public Works Committee. p. S9219
5. RECLAMATION. Sen. Hayden spoke in favor of S. 1004, the central Arizona project bill. p. S9231
Passed as reported S. 1111, authorizing construction of the San Felipe division, Central Valley project, Calif. pp. S9257-60
6. FOOD. Sen. Bartlett inserted an article "Food Production from the Sea and the Nutritional Requirements of the World." pp. S9275-8
7. MIGRATORY LABOR. Sen. Yarborough inserted a letter which contains suggestions in dealing with the migratory labor situation. pp. S9285-6
8. FLOOD CONTROL. Sen. Symington inserted part of a letter which deals with the need of flood protection in Mo. p. S9286
9. AIR POLLUTION. Sen. Nelson inserted an article "Edmund S. Muskie--Clearing the Air," in which Sen. Muskie is quoted as saying, "the rising menace of air pollution makes comprehensive and effective control measures inevitable." pp. S9287-8
10. NATIONAL PARKS. Sen. Metcalf inserted an article in favor of the proposal to create a Redwood National Park in Calif. pp. S9289-90
11. INTERGOVERNMENTAL RELATIONS. Sen. Hansen inserted several articles dealing with the Federal-State task force and its meeting with the Wyo. State officials. pp. S9293-5
12. RESEARCH. Sen. Byrd, W. Va., inserted an article, "Valuable Research," which commends the Forest Products Marketing Laboratory in W. Va. p. S9297
13. TRUTH-IN-LENDING. Began consideration of S. 5, the truth-in-lending bill. pp. S9326-8
14. REA LOANS. Received from this Department reports on various approvals of REA loans to electric cooperatives; to Appropriations Committee. p. S9218
15. SURPLUS FOOD. Received a GAO report on problems in processing claims against voluntary relief agencies arising from alleged loss or misuse of food donated for distribution abroad. USDA and AID, June, 1967; to Government Operations Committee. p. S9218
16. PUBLIC LANDS. Received from the Department of the Interior a draft bill reserving certain public domain lands in Nev. and Ore. as a grazing reserve for Indians of Ft. McDermitt, Nev. p. S9218

to the House of Representatives, where no action was taken prior to the adjournment of that Congress.

The facts of the case contained in the report on S. 3750, 89th Congress, from the Railroad Retirement Board are as follows:

"The payment of the lump sums was made to Mrs. Blankenship solely by virtue of the fact that she filed an application for such sums with respect to the death of Mr. Daniels, her brother, of whose estate she is the administrator, and gave the answer 'None' to the question therein requesting the names of and other information about the employee's children, ' * * * including illegitimate, adopted children, and stepchildren * * *'. Under the law, the existence of minor children, eligible for monthly annuities, had the effect that the lump sums were not payable. Mrs. Blankenship's asserted use of the money to pay debts of the decedent, or to pay his burial expenses, is not relevant.

"After the lump-sum payments were made to Mrs. Blankenship, the Board was informed that the employee was survived by two minor children. It was developed that these children were born to Mabel Jones, the divorced wife of the deceased employee, while she was still married to him. Mrs. Blankenship's attorney contended that the children were nevertheless illegitimate; but the Board's Bureau of Retirement Claims notified her on November 16, 1965, of its determination that the children were legitimate, and after protest and some further correspondence with her attorney the Bureau adhered to its position. No appeal has been taken from that determination.

"The Board is opposed to any essentially private relief bill which, like S. 3750, would waive recovery of benefits erroneously paid under the Railroad Retirement Act through the fault of an individual in giving inaccurate or misleading information on the application form submitted by the individual. The answer 'None' to the question respecting the employee's children was erroneous since these children were born to the employee's wife during the existence of their marriage, before they were divorced. The question on the application is expressly phrased so as to make clear that it is for the Board, not the applicant, in case of any question, to determine whether a child is the child of the employee and is legitimate.

"To grant relief in these circumstances by way of a private bill would establish a precedent which would lead to demands from other persons for similar relief in similar circumstances. The volume of cases in which misstatements of this character result in payments not due, which have to be recovered, while small in a relative sense to the Board's overall volume, is not inconsiderable in terms of absolute numbers. Congress has authorized the Board to waive overpayments, payments of amounts not due, in cases where, in the judgment of the Board, first, the individual paid was without fault and, second, recovery would be contrary to the purposes of the act or against equity or good conscience. The Board had made no such determinations here. The enactment of this bill would in effect circumvent the requirements for waiver now in the law. The Board opposes any such bill, the purpose of which is to extend to certain individuals benefits or privileges not available to all others similarly situated."

The committee disagrees with the conclusions of the Railroad Retirement Board and finds that the bill, S. 117, should be recommended favorably.

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill (S. 117) was ordered to be engrossed for a third reading, was read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Martha Blankenship of Meador, West Virginia, is hereby relieved of all liability for repayment to the United States of the sum of \$1,887.86, representing the amount of survivor benefit payments which were erroneously paid to the said Martha Blankenship under the Railroad Retirement Act of 1937 incident to the death of her brother, Hasten Daniels, such payments having been used by the said Martha Blankenship to pay the funeral expenses and debts of her deceased brother prior to a determination by the Railroad Retirement Board that such payments should have been made to the surviving children of the said Hasten Daniels. In the audit and settlement of the accounts of any certifying or disbursing officer of the United States, full credit shall be given for the amount for which liability is relieved by this Act.

SEC. 2. The Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the said Martha Blankenship, the sum of any amounts received or withheld from her on account of the payments referred to in the first section of this Act.

CWO BERNHARD VOLLMER

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate turn to the consideration of Calendar No. 365. The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 2762) for the relief of CWO Bernhard Vollmer, U.S. Navy, retired.

THE PRESIDING OFFICER. Is there objection to the request of the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill.

Mr. FANNIN. Mr. President, as a member of the Republican calendar committee, I ask unanimous consent to have printed at this point in the RECORD a memorandum with respect to the pending bill.

There being no objection, the memorandum was ordered to be printed in the RECORD, as follows:

MEMORANDUM WITH RESPECT TO H.R. 2762 (CALENDAR 365), FOR THE RELIEF OF CWO BERNHARD VOLLMER, U.S. NAVY (RETIRED)

The sponsor of this bill is Bob Wilson (Rep., Calif.).

This bill would waive applicable limitations to permit CWO Bernhard Vollmer, U.S. Navy (retired), to file a claim for retired pay allegedly erroneously withheld from him during his employment by the Fire Department of the government of the District of Columbia and to have that claim considered under applicable law.

Claimant was employed by the Fire Department of the government of the District of Columbia from November 1, 1946 to July 31, 1948. During this period, \$4365.90 was withheld from his retired pay on the assumption that his employment was subject to the restrictions of the dual compensation provisions of section 212 of the Economy Act of 1932. However, subsequently, the Comptroller General held (in March 1958) that, in view of decisions by the Court of Claims, commissioned warrant officers would no longer be considered subject to the dual compensation limitations of the 1932 act. Based on this decision claimant would have been entitled to a refund of the entire pay withheld during his District of Columbia employment. However, the 10-year statute of limitations applied to any claim for the amounts withheld. Accordingly when claim-

ant submitted his claim for retired pay on July 30, 1958 he was advised that no action could be taken on his claim.

The Department of the Navy, with Budget Bureau clearance, has no objection to relief.

Comment: The General Accounting Office has taken a consistent position through the years that the 10-year statute of limitations should be considered a complete bar to all claims. This is not only for the purpose of providing finality through the operation of a statute of limitations, but also because the provision of relief by way of a private bill for one claimant would be preferential and discriminatory as to all others similarly situated. The favorable report of the committee would indicate that the General Accounting Office has not been contacted with respect to the merits of this claim. This was confirmed by my contact with the General Accounting Office via telephone.

Moreover, to provide relief in this situation would constitute a windfall to claimant. It was not he who pressed his claim through the Court of Claims, but others who did not sleep on whatever rights they had but, instead, pressed their claims within the period of the statute of limitations until those rights were established. To follow the principle which this bill pursues could be quite costly to the Treasury, whether by other private bills or through general legislation.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 379), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE

The purpose of the proposed legislation is to waive applicable limitations to permit CWO Bernhard Vollmer, U.S. Navy (retired), to file a claim for retired pay allegedly erroneously withheld from him during his employment by the Fire Department of the government of the District of Columbia and to have that claim considered under applicable law. The bill further provides that the claim shall be filed within 1 year of the bill's enactment.

STATEMENT

The Department of the Navy, in its report to the committee on the bill, has indicated that it would have no objection to its enactment. The government of the District of Columbia in its report takes no position in connection with the bill because it does not directly relate to the District of Columbia.

Mr. Vollmer was employed by the Fire Department of the government of the District of Columbia from November 1, 1946, to July 31, 1948. During this period \$4,365.90 was withheld from his retired pay on the assumption that his employment was subject to the restrictions of the dual compensation provisions of section 212 of the Economy Act of 1932 (5 U.S.C. 59a). However, subsequently, in a Comptroller General decision (37 Comp. Gen. 591 (March 1958)), it was held that in view of decisions by the Court of Claims, commissioned warrant officers would no longer be considered subject to the dual compensation limitation of the 1932 act. Based on this decision, Mr. Vollmer would have been entitled to a refund of the retired pay withheld during his District of Columbia employment. However, by the time the situation was clarified, the 10-year statute of limitations provided in section 71a of title 31 of the United States Code applied to any claim for the amounts withheld. The Navy in its report to the committee noted this fact and stated as follows:

"In view of the fact that the entitlement was not changed by the Comptroller General interpretation until after the 10-year period had expired, the Department of the Navy has no objection to the enactment of this bill."

The committee concurs in the action of the House of Representatives and recommends that the bill, H.R. 2762, be favorably considered.

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment to be proposed, the question is on the third reading of the bill.

The bill was ordered to a third reading and was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, shall it pass?

So the bill (H.R. 2762) was passed.

TRUTH-IN-LENDING ACT

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 378, S. 5. I do this so that the bill will become the pending business.

The PRESIDING OFFICER. The bill will be read by title.

The LEGISLATIVE CLERK. A bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Banking and Currency, with an amendment, to strike out all after the enacting clause and insert:

That this Act may be cited as the "Truth in Lending Act".

DECLARATION OF PURPOSE

SEC. 2. The Congress finds and declares that economic stabilization would be enhanced and that competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. The informed use of credit results from an awareness of the costs thereof by consumers. It is the purpose of this Act to assure a full disclosure of such costs with a view to promoting the informed use of consumer credit to the benefit of the national economy.

DEFINITIONS

SEC. 3. For the purposes of this Act—

(a) "Board" means the Board of Governors of the Federal Reserve System.

(b) "Credit" means the right granted by a creditor to a person other than an organization to defer payment of debt or to incur debt and defer its payment, where the debt is contracted by the obligor primarily for personal, family, household, or agricultural purposes. The term does not include any contract in the form of a bailment or lease except to the extent specifically included within the term "consumer credit sale".

(c) "Consumer Credit Sale" means a transaction in which credit is granted by a seller in connection with the sale of goods or services, if such seller regularly engages in credit transactions as a seller, and such goods or services are purchased primarily for a personal, family, household, or agricultural purpose. The term does not include any contract in the form of a bailment or lease unless the obligor contracts to pay as compensation for use a sum substantially equivalent to or in excess of the value of the goods or services involved, and unless it is agreed that the obligor is bound to become, or for no other or a merely nominal consideration has the option of becoming, the

owner of the goods upon full compliance with the provisions of the contract.

(d) (1) "Finance charge" means the sum of all the charges imposed directly or indirectly by a creditor, and payable directly or indirectly by an obligor, as an incident to the extension of credit, including loan fees, service and carrying charges, discounts, interest, time price differentials, investigators' fees, costs of any guarantee or insurance protecting the creditor against the obligor's default or other credit loss, and any amount payable under a point, discount, or other system of additional charges.

(2) If itemized and disclosed under section 4, the term does not include amounts collected by a creditor, or included in the credit, for (A) fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to a credit transaction; (B) taxes; (C) charges or premiums for insurance against loss of or damage to property related to a credit transaction or against liability arising out of the ownership or use of such property; and (D) charges or premiums for credit life and accident and health insurance.

(3) Where credit is secured in whole or in part by an interest in real property, the term does not include, in addition to the duly itemized and disclosed costs referred to in clauses (A), (B), (C), and (D) of paragraph (2), the costs of (i) title examination, title insurance, or corresponding procedures; (ii) preparation of the deed, settlement statement, or other documents; (iii) escrows for future payments of taxes and insurance; (iv) notarizing the deed and other documents; (v) appraisal fees; and (vi) credit reports.

(e) "Creditor" means any individual, or any partnership corporation, association, cooperative, or other entity, including the United States or any agency or instrumentality thereof, or any other government or political subdivision or agency or instrumentality thereof, if such individual or entity regularly engages in credit transactions, whether in connection with the sale of goods and services or otherwise, and extends credit for which the payment of a finance charge is required.

(f) (1) "Annual percentage rate" means, for the purposes of sections 4(b) and 4(c), the nominal annual rate determined by the actuarial method (United States rule). For purposes of this calculation it may be assumed that:

(A) The total time for repayment of the total amount to be financed is the time from the date of the transaction to the date of the final scheduled payment.

(B) All payments are equal if every scheduled payment in the series of payments is equal except one which may not be more than double any other scheduled payment in the series.

(C) All payments are scheduled at equal intervals, if all payments are so scheduled except the first payment which may be scheduled to be paid before, on, or after one period from the date of the transaction. A period of time equal to one-half or more of a payment period may be considered one full period.

(2) The Board may prescribe methods other than the actuarial method, if the Board determines that the use of such other methods will materially simplify computation while retaining reasonable accuracy as compared with the rate determined under the actuarial method.

(3) For the purposes of section 4(d), the term "equivalent annual percentage rate" means the rate or rates computed by multiplying the rate or rates used to compute the finance charge for any period by the number of periods in a year.

(4) Where a creditor imposes the same finance charge for all balances within a

specified range, the annual percentage rate or equivalent annual percentage rate shall be computed on the median balance within the range for the purposes of sections 4(b), 4(c), and 4(d).

(g) "Open-end credit plan" means a plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

(h) "Installment open-end credit plan" means an open-end credit plan which has one or more of the following characteristics:

(1) creates a security interest in, or provides for a lien on, or retention of title to, any property (whether real or personal, tangible or intangible), (2) provides for a repayment schedule pursuant to which less than 60 per centum of the unpaid balance at any time outstanding under the plan is required to be paid within twelve months, or (3) provides that amounts in excess of required payments under the repayment schedule are applied to future payments in the order of their respective due dates.

(i) "First mortgage" means such classes of first liens as are commonly given to secure advances on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located.

(j) "Organization" means a corporation, government or governmental subdivision or agency, business or other trust, estate, partnership, or association.

DISCLOSURE OF FINANCE CHARGES

SEC. 4. (a) Each creditor shall furnish to each person to whom credit is extended and upon whom a finance charge is or may be imposed the information required by this section, in accordance with regulations prescribed by the Board.

(b) This subsection applies to consumer credit sales other than sales under an open-end credit plan. For each such sale the creditor shall disclose, to the extent applicable—

(1) the cash price of the property or service purchased;

(2) the sum of any amounts credited as downpayment (including any trade-in);

(3) the difference between the amounts set forth in paragraphs (1) and (2);

(4) all other charges individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge;

(5) the total amount to be financed (the sum of the amounts disclosed under (3) and (4) above);

(6) the amount of the finance charge (such charge, or a portion of such charge, may be designated as a time-price differential or as a similar term to the extent applicable);

(7) the finance charge expressed as an annual percentage rate, if the amount of such charge is \$10.00 or more;

(8) the number, amount, and due dates or periods of payments scheduled to repay the indebtedness; and

(9) the default, delinquency, or similar charges payable in the event of late payments.

Except as otherwise hereinafter provided, the disclosure required by this subsection shall be made before the credit is extended. Compliance may be attained by disclosing such information in the contract or other evidence of indebtedness to be signed by the obligor. Where a seller receives a purchase order by mail or telephone without personal solicitation by a representative of the seller and the cash price and deferred payment price and the terms of financing, including the annual percentage rate, are set forth in the seller's catalog or other printed material distributed to the public, the disclosure shall be made on or before the date the first payment is due.

(c) This subsection applies to extensions of credit other than consumer credit sales or transactions under an open-end credit plan. Any creditor making a loan or otherwise extending credit under this subsection shall disclose, to the extent applicable—

(1) the amount of credit of which the obligor will have the actual use, or which is or will be paid to him or for his account or to another person on his behalf;

(2) all charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge;

(3) the total amount to be financed (the sum of items (1) and (2) above);

(4) the amount of the finance charge;

(5) the finance charge expressed as an annual percentage rate, if the amount of such charge is \$10.00 or more;

(6) the number, amount, and due dates or periods of payments scheduled to repay the indebtedness; and

(7) the default, delinquency or similar charges payable in the event of late payments.

Except as otherwise hereinafter provided, the disclosure required by this subsection shall be made before the credit is extended. Compliance may be attained by disclosing such information in the note or other evidence of indebtedness to be signed by the obligor. Where a creditor receives a request for an extension of credit by mail or telephone without personal solicitation by a representative of the creditor and the terms of financing, including the annual percentage rate for representative amounts of credit, are set forth in the creditor's printed material distributed to the public, or in the contract of loan or other printed material delivered to the obligor, the disclosure shall be made on or before the date the first payment is due.

(d)(1) This subsection applies to open-end credit plans.

(2) Before opening any account under an open-end credit plan, the creditor shall, to the extent applicable, disclose to the person to whom credit is to be extended—

(A) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;

(B) the method of determining the balance upon which a finance charge will be imposed;

(C) the method of determining the amount of the finance charge (including any minimum or fixed amount imposed as a finance charge), the percentage rate per period of the finance charge to be imposed if any, and, in the case of an installment open-end credit plan, the equivalent annual percentage rate; and

(D) the conditions under which any other charges may be imposed, and the method by which they will be determined.

(3) For each billing cycle at the end of which there is an outstanding balance under any such account, the creditor shall disclose to the extent applicable—

(A) the outstanding balance in the account at the beginning of the billing period;

(B) the amount and date of each extension of credit during the period and, if a purchase was involved, a brief identification (unless previously furnished) of the goods or services purchased;

(C) the total amount credited to the account during the period;

(D) the amount of any finance charge added to the account during the period, itemized to show the amount, if any, due to the application of a percentage rate and the amount, if any, imposed as a minimum or fixed charge;

(E) the balance on which the finance charge was computed and a statement of how the balance was determined;

(F) the rate, if any, used in computing the finance charge and, in the case of an installment open-end credit plan, the equivalent annual percentage rate;

(G) the outstanding balance in the account at the end of the period; and

(H) the date by which, or the period (if any) within which, payment must be made to avoid additional finance charges.

(4) If a creditor adds to this billing under an open-end credit plan one or more installments of other indebtedness from the same obligor, the creditor is not required to disclose under this subsection any information which has been disclosed previously in compliance with subsection (b) or (c).

(e) Written acknowledgment of receipt by a person to whom a statement is required to be given pursuant to this section shall be conclusive proof of the delivery thereof and, unless the violation is apparent on the face of the statement, of compliance with this section in any action or proceeding by or against an assignee of the original creditor without knowledge to the contrary by such assignee when he acquires the obligation. Such acknowledgment shall not affect the rights of the obligor in any action against the original creditor.

(f) If there is more than one obligor, a creditor may furnish a statement of required information to only one of them. Required information need not be given in the sequence or order set forth in this section. Additional information or explanations may be included. So long as it conveys substantially the same meaning, a creditor may use language or terminology in any required statement different from that prescribed by this Act.

(g) If applicable State law requires disclosure of items of information substantially similar to those required by this Act, then a creditor who complies with such State law may comply with this Act by disclosing only the additional items of information required by this Act.

(h) If information disclosed in accordance with this section and any regulations prescribed by the Board is subsequently rendered inaccurate as the result of a prepayment, late payment, adjustment, or amendment of the credit agreement through mutual consent of the parties or as permitted by law, or as the result of any act or occurrence subsequent to the delivery of the required disclosures, the inaccuracy resulting therefrom shall not constitute a violation of this section.

(i)(1) Subject to paragraph (2)—

(A) whenever an annual percentage rate is required to be disclosed by this section, such rate may be expressed either as a percentage rate per year, or as a dollars per hundred per year rate of the average unpaid balance; and

(B) whenever a rate other than an annual rate is used to compute a finance charge and is required to be disclosed under subsection (d), such rate may be expressed either as a percentage rate per period of the balance upon which the finance charge is computed, or as a dollars per hundred per period rate of such balance.

(2) On and after January 1, 1972, all rates required to be disclosed by this section shall be expressed as percentage rates.

REGULATIONS

SEC. 5. (a) The Board shall prescribe regulations to carry out this Act, including provisions—

(1) describing the methods which may be used in determining annual percentage rates under section 4, including, but not limited to, the use of any rules, charts, tables, or devices by creditors to convert to an annual percentage rate any add-on, discount or other method of computing a finance charge;

(2) prescribing procedures to ensure that the information required to be disclosed

under section 4 is set forth clearly and conspicuously; and

(3) prescribing reasonable tolerances of accuracy with respect to disclosing information under section 4.

(b) In prescribing regulations with respect to reasonable tolerances of accuracy as required by subsection (a)(3), the Board shall observe the following limitations:

(1) The annual percentage rate may be rounded to the nearest quarter of 1 per centum for credit transactions payable in substantially equal installments when a creditor determines the total finance charge on the basis of a single add-on, discount, periodic, or other rate, and such rates are converted into an annual percentage rate under procedures prescribed by the Board.

(2) The use of rate tables or charts may be authorized in cases where the total finance charge is determined in a manner other than that specified in paragraph (1). Such tables or charts may provide for the disclosure of annual percentage rates which vary up to 8 per centum of the rate as defined by section 3(f). However, any creditor who willfully and knowingly uses such tables or charts in such a manner so as to consistently understate the annual percentage rate, as defined by section 3(f), shall be liable for criminal penalties under section 7(b) of this Act.

(3) In the case of creditors determining the annual percentage rate in a manner other than as described in paragraph (1) or (2), the Board may authorize other reasonable tolerances.

(4) In order to simplify compliance where irregular payments are involved, the Board may authorize tolerances greater than those specified in paragraph (2).

(c) Any regulation prescribed hereunder may contain such classifications and differentiations and may provide for such adjustments and exceptions from this Act or the regulations thereunder for any class of transactions, as in the judgment of the Board are necessary or proper to effectuate the purposes of this Act or to prevent circumvention or evasion of, or to facilitate compliance by creditors with, this Act or any regulation issued hereunder. In prescribing exceptions, the Board may consider, among other things, whether any class of transactions is subject to any State law or regulation which requires disclosures substantially similar to those required by section 4.

(d) In the exercise of its powers under this Act, the Board may request the views of other Federal agencies which in its judgment exercise regulatory functions with respect to any class of creditors, and such agencies shall furnish such views upon request of the Board.

(e) The Board shall establish an advisory committee, to advise and consult with it in the exercise of its powers under this Act. In appointing such members to such committee the Board shall seek to achieve a fair representation of the interests of sellers of merchandise on credit, lenders, and the public. Such committee shall meet from time to time at the call of the Board, and members thereof shall be paid transportation expenses and not to exceed \$100 per diem.

EFFECT ON STATE LAWS

SEC. 6. (a) This Act shall not be construed to annul, alter or affect, or to exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that such laws are inconsistent with the provisions of this Act, or regulations issued thereunder, and then only to the extent of the inconsistency. This Act shall not otherwise be construed to annul, alter or affect in any manner the meaning, scope or applicability of the laws of any State, including, but not limited to, laws relating to the types, amounts or rates of charges, or any element or elements of charges, permissible under such laws in connection with the extension or use of credit,

nor to extend the applicability of such laws to any class of persons or transactions to which such laws would not otherwise apply, nor shall the disclosure of the annual percentage rate in connection with any consumer credit sale as required by this Act be evidence in any action or proceeding that such sale was a loan or any transaction other than a credit sale.

(b) The Board shall by regulation exempt from the requirements of this Act any class of credit transactions which it determines are subject to any State law or regulation which requires disclosures substantially similar to those required by section 4, and contains adequate provisions for enforcement.

(c) Except as specified in section 7, nothing contained in this Act or any regulations issued thereunder shall affect the validity or enforceability of any contract or obligation under State or Federal law.

CIVIL AND CRIMINAL PENALTIES

SEC. 7. (a) (1) Any creditor who, in connection with any credit transaction, knowingly fails in violation of this Act, or any regulation issued thereunder, to disclose any information to any person to whom such information is required to be given shall be liable to such person in the amount of \$100, or in any amount equal to twice the finance charge required by such creditor in connection with such transaction, whichever is the greater, except that such liability shall not exceed \$1,000 on any credit transaction.

(2) In any action brought under this subsection in which it is shown that the creditor disclosed a percentage rate or amount less than that required to be disclosed by section 4 or regulations prescribed by the Board (after taking into account permissible tolerances), or failed to disclose information so required, there shall be a rebuttable presumption that such violation was made knowingly. Such presumption shall be rebutted if the creditor shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error: *Provided*, That a creditor shall have no liability under this subsection if within fifteen days after discovering the error, and prior to the institution of an action hereunder or the receipt of written notice of the error, the creditor notifies the person concerned of the error and makes whatever adjustments in the appropriate account as are necessary to insure that such person will not be required to pay a finance charge in excess of the amount or percentage rate so disclosed.

(3) Any action under this subsection may be brought in any court of competent jurisdiction within one year from the date of the occurrence of the violation. In any such action in which a person is entitled to recover a penalty as prescribed in paragraph (1), the defendant shall also be liable for reasonable attorneys' fees and court costs as determined by the court.

(4) As used in this subsection, the term "court of competent jurisdiction" means either any Federal court of competent jurisdiction regardless of the amount in controversy, or any State court of competent jurisdiction.

(b) Any person who knowingly and willfully gives false or inaccurate information or fails to provide information required to be disclosed under the provisions of this Act or any regulation issued thereunder, or who otherwise knowingly and willfully violates any provision of this Act or any regulation issued thereunder, shall be fined not more than \$5,000 or imprisoned not more than one year, or both. The responsibility for enforcing this subsection is hereby assigned to the Attorney General.

(c) No punishment or penalty provided by this Act shall apply to the United States, or

any agency thereof, or to any State, any political subdivision thereof, or any agency of any State or political subdivision.

(d) No person shall be subject to punishment or penalty under this Act solely as the result of the disclosure of a finance charge or percentage which is greater than the amount of such charge or percentage required to be disclosed by such person under section 4, or regulations prescribed by the Board.

EXCEPTIONS

SEC. 8. The provisions of this Act shall not apply to—

(1) credit transactions involving extensions of credit for business or commercial purposes, or to governments or governmental agencies or instrumentalities, or to organizations; or

(2) transactions in securities or commodities in accounts by a broker-dealer registered with the Securities and Exchange Commission;

(3) credit transactions, other than real property transactions, in which the total amount to be financed exceeds \$25,000; or

(4) transactions involving extensions of credit secured by first mortgages on real estate.

REPORTS

SEC. 9. Not later than January 3 of each year commencing after the effective date of this Act, the Board of Governors of the Federal Reserve System and the Attorney General shall, respectively, make reports to the Congress concerning the administration of their functions under this Act, including such recommendations as the Board and the Attorney General, respectively, deem necessary or appropriate. In addition, reports of the Board of Governors of the Federal Reserve System shall include the Board's assessment of the extent to which compliance with the provisions of this Act, and regulations prescribed thereunder, is being achieved.

EFFECTIVE DATE

SEC. 10. The provisions of this Act shall take effect upon July 1, 1969; except that section 5 shall take effect immediately upon enactment.

Mr. MANSFIELD. Mr. President, for the information of the Senate, there will be no debate on this bill tonight, but it will be the pending business at the conclusion of the morning hour on tomorrow.

RIOT PREVENTION

Mr. JAVITS. Mr. President, I call to the attention of my colleagues, an advertisement by the National Association for the Advancement of Colored People, which was published in the Washington Post of this morning. The advertisement is entitled "Riot Prevention," and contains 15 specifications from this very reliable and prestigious organization in the civil rights and race relations field concerning what they consider to be the causes of the existing discontent in many cities. Unfortunately, this discontent has resulted in riots in many cities in this Nation, including, most recently, the city of Buffalo, New York.

I do not think anybody present, including myself, needs protest his fidelity to the concept of public order or his confidence in the ultimate justice which can be done under our Constitution and form of government. And while I join with all of my distinguished colleagues in vigorously asserting the fact that we will at no time be intimidated in what we do by public disorders, it is a fact

that our job is to anticipate such disorders and do justice.

One of the objectives of citing these 15 specifications is to emphasize that riots of this kind must be anticipated and that there are measures which can be taken in the private and public sectors and at all levels of government which deal with the primary complaints of human beings which finally drive them into action against an orderly society.

It is a fact that deep frustration creates this difficulty at a time of the year when it is the most vivid in the minds of people who riot. And this frustration is aggravated by trade unions and business communities which fail to find or create job opportunities, by the action of the Federal Government in failing to pass and strictly enforce strong civil rights legislation, and by the local governments in not being alert to the needs of their own communities.

This advertisement makes very constructive reading. It is a very intelligent, well-done job.

We do not have to agree with every specification in order to respect the scholarship and the understanding which has gone into this message.

I advise every Senator to read it, and I especially advise officials of States, municipalities, and cities who are charged with the responsibility for public order to take heed of the fact that we must see these events coming months ahead, if we want a chance to head them off.

If we try to bring to bear the facilities of all agencies of government, the community relations councils, local, public and private agencies before the riots hit us, we may avert them. However, if we do not plan ahead and make an effort, for example, to get jobs for Negro teenagers, it will be too late to avert the riots which we fear and deplore. Society will then have suffered a very disastrous blow as a result of our failure to act.

Mr. President, I ask unanimous consent to have the advertisement to which I have referred printed at this point in the RECORD.

There being no objection, the advertisement was ordered to be printed in the RECORD, as follows:

RIOT PREVENTION

Riots are bad business for all concerned—the rioters, the targets and the ordered society. Superficial studies always seek to find who fired what shot, who shouted thus and so, or who made a speech at what place. Hardly anyone gives a passing thought to the shavings and gasoline which have been piled up and scattered around for months and years, just waiting for an emotion-laden, overt act to ignite it. Some smoldering material, ready to burst into flame, has already been piled up on the civil rights issue.

1. The 1966 Civil Rights Bill was filibustered to death in the United States Senate last fall after passing the House. No part of the bill was allowed to reach the floor. Negative predictions on the fate of the 1967 Bill fill the political air.

2. Congressman Adam Clayton Powell was summarily deprived of his chairmanship of the House Education and Labor Committee on the day before the Congress opened last January and was refused his seat the next day. Although re-elected overwhelmingly by the voters in his district in a special election,

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued July 12, 1967
For actions of July 11, 1967
90th-1st; No. 106

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HIGHLIGHT: Senate committee reported agricultural appropriation bill.

SENATE

1. AGRICULTURAL APPROPRIATION BILL, 1968. The Appropriations Committee reported with amendments this bill, H. R. 10509 (S. Rept. 395)(pp. S9350, D565). As reported by the Committee, the bill would provide a total of \$6,782,529,789, an increase of \$2,011,948,839 over the House-passed bill. Attached to this Digest is the committee report, which includes a statement of committee actions.
2. CCC. Both Houses received from the President the annual report of the CCC for fiscal year 1966; to the House Banking and Currency Committee and Senate Agriculture and Forestry Committee. pp. S9341, H8448

3. TRUTH-IN-LENDING. Passed with a technical amendment S. 5, the truth-in-lending bill. pp. S9383-9408
4. PERSONNEL. Passed as reported S. 271, to provide additional group life insurance for Government employees. pp. S9408-10
5. FARM LABOR. Sen. Williams, N.J., inserted testimony of George Meany, President of the AFL-CIO before the Subcommittee on Migratory Labor on labor-management problems and the agricultural worker. pp. S9348-9
6. FARMER ASSOCIATIONS. Sen. Aiken discussed his bill S. 109, to prohibit coercion and discrimination against farmers who are or want to become members of marketing associations, and inserted a letter clarifying the position of the Calif. Cannery Association on the bill. pp. S9351-2
7. RESEARCH. Sen. Tower inserted a resolution passed by the Advisory Board of the USDA Big Spring Field Station in Tex., urging the expansion of research on wind erosion and moisture conservation on sandy soils. p. S9352
8. INTERGOVERNMENT RELATIONS. Sen. Baker inserted a speech by Winthrop Rockefeller in which he "underlined the financial dilemma facing the States today and the growing need for the Federal Government to act in the near future to meet this challenge to our traditional system of federalism." pp. S9356-7
9. PUBLIC DEBT. Sen. Moss inserted a summary of current spending figures and debt totals and stated, "Since 1947, the Federal debt has grown less than 30 percent, while private debt has risen about 550 percent and the debt of State and local government about 700 percent. It is unrealistic to believe that our fiscal problems can be solved readily by the elimination of unnecessary domestic spending." pp. S9366-7
Sen. McGee inserted an editorial relating to the annual debate on raising the public debt limit. pp. S9373-4
10. COMMUNITY DEVELOPMENT. Sen. Ribicoff discussed the work of the Community Development Foundation, a voluntary welfare association which has "emphasized the self help approach to domestic and foreign assistance." pp. S9375-7
11. AIR POLLUTION. A subcommittee of the Public Works Committee approved for full committee consideration S. 780, amended, to improve and expand programs designed to eliminate air pollutants. p. D567
12. FORESTRY. Received from the Ore. Legislature a resolution urging Congress to enact legislation placing the area to be known as the Oregon Dunes National Recreation Area under the Forest Service. p. S9350

HOUSE

13. PERSONNEL. Passed without amendment S. 853, to extend the life of the Commission on Political Activity of Government Personnel. This bill will now be sent to the President. pp. H8438-9
Passed under suspension of the rules H. R. 11089, to provide additional group life insurance and accidental death and dismemberment insurance for Federal employees, and to strengthen the financial condition of the Employees' Life Insurance Fund. pp. H8455-9

(2) *Attached*: A.A.O. M.F.S. (Mobile Fire Spatter).

(3) *Reorganization*:

(a) The Company will retire in full at the end of the operation when ordered by the Battalion Commander and will move by the track from Sheih Abd El Aziz to Beit Sorik, from there to the assembly point and from there by vehicles.

(b) The Company will travel in vehicles with the Battalion to the Battalion's base at Bitunya by way of El Gib—Beit Awar Crossroads—Bitunya.

D. *Company plus pioneer platoon*—Blocking-off reinforcements will establish two Road Blocks:

(1) *Right position*: at (16371342) on the main road leading to Abu Gosh Camp.

(2) *Left position*: (16331342) On the slope of the Tel situated on the East side of the Motza Colony and overlooking the Jerusalem-Kolorya Road.

(3) *The task*:

(a) To prevent the arrival of any reinforcements or forwarding succour which the enemy might send by their routes.

(b) To engage the enemy in combat if he comes to the colony's aid.

(c) Cut-off the road leading to the Colony, if the conditions require it, and that before the passage of the enemy.

(d) Every force will move from the dispersal point to its position as seen on draught "A" which is attached.

(4) *Reorganization*:

(a) *The right position*: When the task is accomplished and when it receives the code word for the order to retire, will move by the route west of Sheih Abd El Aziz up to Beit Sorik Village and will then proceed to the assembly area, embarkation point with the rest of the battalion.

(b) *The Left position*: When the task is accomplished and when it receives the code word for the order to retire, will move by the route leading in the direction of Sheih Abd El Aziz from the East up to Hirbet Loza, Beit Sorik, assembly area and embarkation point.

E. *Mortar Platoon*:

(1) Will take up position at 16471356 North-West of Sheih Abd El Aziz.

(2) *The task*: According to annexed plan of fire (A).

(3) *Reorganization*: When the task is accomplished will retire from its position by way of Sheih Abd El Aziz Village to Beit Sorik—assembly area—and will move with the Battalion to the embarkation point.

F. *Pioneer platoon*: Will detach a reinforced section to the Blocking-off forces.

(1) *The task*: Will lay anti-vehicle and anti-personnel mines on the road leading to Motza Colony when ordered by the C.O. Blocking-off force.

(2) *Reorganization*: The section will retire with the Blocking-off force to the assembly area and to the embarkation point.

G. *Artillery*:

(1) *Task*: According to annexed plan of fire (A).

(2) A.A.O.s will be attached to the firm base and to the Blocking-off force.

H. *Engineer platoon*:

(1) *Task*:

(a) Breaching the wire fences on an average of one breach per platoon.

(b) Will completely destroy the colony with explosives, after the breaching through force finishes mopping-up the Houses.

(c) The platoon will attach elements to the Blocking-off force.

(2) *Reorganization*: The platoon will retire with the breaching force to the embarkation area and from there will travel in vehicles with the Battalion to Bitunya.

I. *Coordination*:

(1) "H" hour will be decided upon in due time by the Battalion Commander

(2) Disembarkation and embarkation points.

(3) Deployment area.

(4) Dispersal point.

(5) Route of advance.

(6) Dispersal of forces, breaching, firm base, cutting-off.

(7) Starting line.

(8) The target.

(9) Embarkation area.

(10) Rate of advance 100 yards every three minutes.

(See draught "A")

4. ADMINISTRATION

(A) *Transport*: Combat echelon vehicles will remain in assembly area North of BEIT SORIK (164137).

(B) *Food*: Supper will be served in the assembly area, and no rations will be carried.

(C) *Ammunition*: Ammunition and explosives as will be decided for this Operation.

(D) *Medical*: The casualties will be evacuated to the Battalion Advanced Dressing station by stretcher Bearers which are in the village (BEIT SORIK).

(E) *Clothing*: Full battle dress. Light clothing is recommended.

5. COMMUNICATION AND CONTROL

(A) *Brigade H.Q.*: At its present place.

(B) *Battalion H.Q.*: In all the phases of operation behind the Assault force.

(C) *Communications*:

(1) No change in wireless or telephone nets.

(2) Wireless silence will be observed up to discovery of the attack, when the artillery and mortar shelling will begin.

(D) *Codes*: Word, Meaning, and Ordered by:

"Hadhah," Reserve Battalion starts Operation, Brigadier.

"MA'AN", Destruction of target, Battalion C.O.

"SALMAN", Leaving Assembly area, Battalion C.O.

"MOHAMED", Leaving Embarkation area, Battalion C.O.

"ARBED", Battalion back to reserve positions, Battalion C.O.

Zaim—Brigadier Imam Ali Ben Abi Taleb Brig. (Ahmed Shehada El Huarta).

Information:

Distribution List: Annexed.

"A" Annex—Plan of fire.

Annexes:

"A" draught: disembarking area, assembly, division of forces, dispersal point, starting line, target.

PENSION PROTECTION PLAN
IS NEEDED

Mr. HARTKE. Mr. President, on April 26 I introduced a slightly revised version of the Pension Protection Act, on which 1 day of hearings was held last year. The bill, S. 1635 (S. 1575 in the 89th Congress), is designed to deal with the problems which arise when private pension plans are discontinued due to discontinuance of the business through failure, merger, or similar causes. The result of such loss of expected retirement income, through no fault of their own, has often left workers with 20, 30, or more years of employment without the resources on which they had counted.

I have previously documented the need, and I shall from time to time bring before the Senate other instances to illustrate the necessity for action on this bill. The following cases illustrate the circumstances in which the need is clearly demonstrable.

In 1961, the E. W. Bliss Co., of Cleveland, Ohio, ceased operations. Employed at that time by the company were 32 workers. The company was organized under the United Automobile Workers, and there was a pension plan in effect.

Yet, of the 32 workers, only two collected any pension at all, and they were already retired. Typical of those who received no future benefits, but who were fortunately young enough to find new jobs, were George Kuzel and Tony Tomatz, with 16 and 12 years of service respectively. In their new employment there is no private pension fund available.

This is one instance. There are many more, some of which I have received specific information as to their cases. I shall call them to attention in the future, and continue to hope that we may have more hearings and serious consideration for S. 1635.

CONCLUSION OF MORNING
BUSINESS

The PRESIDING OFFICER. Is there further morning business? If not, morning business is concluded.

TRUTH-IN-LENDING ACT

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar Order No. 378, S. 5, the unfinished business.

The PRESIDING OFFICER. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill is open to amendment.

Mr. PROXMIRE. Mr. President, after 7 years of consideration, the Committee on Banking and Currency has recommended a truth-in-lending bill to the Senate. If any one person is responsible for the idea of truth in lending, it is our great former colleague, Senator Paul H. Douglas of Illinois. Paul Douglas introduced this issue in 1960 and kept it alive for 6 long years while support for the measure gradually developed.

I believe the committee has recommended a bill which retains the essential objectives for which Senator Douglas fought so long and hard. It requires creditors to disclose to consumers the full cost of credit. This would be expressed in terms of dollars and cents and, for most forms of credit, as an annual percentage rate.

The committee has also recommended a number of changes in the original bill, which I introduced last January 11, which I believe will go a long way toward making it more workable to the credit industry. In developing these changes, I believe the ranking Repub-

lican member of the committee, Senator BENNETT, deserves a considerable amount of credit. It is true that from the outset, all members of the committee agreed upon the central objective of truth in lending. No one seriously contested the fact that the consumer is entitled to as much information as possible regarding consumer credit. No one has argued that the facts should not be disclosed to the consumer.

The chief arguments within the committee dealt not with the objective of the legislation but with its workability. I believe we have recommended a bill today which will prove to be both fair to the consumer and workable to the credit industry. Certainly, the committee has learned much from Massachusetts, where truth in lending has been in effect over the last 6 months.

In addition, the Department of Defense has required for the last year that creditors make full disclosure when extending credit to servicemen.

The credit industry was also helpful in suggesting technical changes which will improve the workability of the bill from the standpoint of the average creditor.

Finally, the leadership of the Senator from Alabama [Mr. SPARKMAN] was most influential in developing a bill which every member of the committee could support. There is no Senator who is more expert in this entire area than the distinguished Senator from Alabama, who is not only extraordinarily competent in the field of banking and currency, credit, and who is recognized as the congressional expert on housing, but a man also who has a wonderful knack for persuading people to iron out their differences and work out constructive compromises and effective legislation.

I believe this bill will represent a significant advance for the American consumer. It will provide the average person with the information he needs to use credit and to shop wisely for credit. It will end the present system of confusing credit practices and credit terminology which requires a trained mathematician to understand. It will disclose the cost of credit in clear and simple terms to the average consumer so that he can understand fully the extent of the credit and how it compares to rates being charged by other lenders. I believe this bill will save the American consumer millions of dollars a year in credit charges and will prevent millions of families from being saddled down with excessive debt.

WHAT THE BILL DOES

Mr. President, this is a most simple piece of legislation. It is a disclosure bill and not a regulation bill. It does not regulate the credit industry. It does not prescribe detailed credit practices. It does not dictate the terms of credit contract. It does not set ceilings on credit. It merely requires the full facts to be disclosed to the consumer.

The bill would permit the consumer to be the judge and let the effective forces of informed competition work their way out in the marketplace.

The facts to be disclosed are basically twofold. First of all creditors would disclose the cost of credit in dollars and

cents. For example, it would require a creditor to indicate that a loan of \$300 payable in 18 monthly installments of \$22 each month involves a credit charge of \$96.

Second, the bill would require that in most forms of credit the creditor would disclose the annual percentage rate. This is the universal common denominator by which the cost of money is measured. It permits a consumer to readily compare the cost of credit among different lenders regardless of the length of the contract or the amount of the downpayment. In effect, the annual percentage rate is a price tag for the use of money. Just as the grocer quotes the price of milk by the quart or one-half gallon, or the price of meat by the pound, so the creditor would quote the cost of money in terms of an annual rate.

When all creditors quote the cost of credit in the terms of an annual rate which is computed in the same fashion the consumer can quickly determine which form of credit is the best buy.

In computing the annual rate, creditors would be required to include all costs incident to the credit transaction regardless of whether it was termed to be interest, loan fees, credit investigations, or the like. This will end a present confusing practice of quoting deceptively low rates while actually charging much higher rates by tacking on additional fees.

Under the legislation recommended by the committee, all lenders would compute their credit charges and rates in the same way. In this way the consumer would be receiving comparable information on which he can make wise and proper decisions. It will be a significant measure for increasing the effectiveness of the consumer's credit dollar.

NEED FOR LEGISLATION

Mr. President, over 6,000 pages of testimony have been taken before the Banking and Currency Committee over the period of time that this bill has been in committee, which is more than 7 years, and they have amply demonstrated the need for this important legislation. Today the average consumer is faced with a bewildering variety of credit rates and terms. Even the Chairman of the Federal Reserve Board, William McChesney Martin—and I think all of us would recognize that he is the national expert on credit—admitted he had trouble understanding rates charged on consumer credit. If the top financial expert in the country has difficulty, it is no wonder the average consumer is completely at a loss when confronted with a typical credit transaction.

What is so confusing about consumer credit? In large measure it is the variety and inconsistency in the way the cost of credit is revealed.

For example, some creditors quote only a monthly rate, tending to minimize the cost of credit. How many customers realize, for example, that a small loan at the rate of 3 percent per month amounts to an annual rate of 36 percent.

Other creditors employ an add-on or discount rate which measures the credit on the original balance rather than the declining balance. Of course, it is only the declining balance that is being

loaned throughout the period. This has the effect of understanding the true annual rate by approximately 50 percent. For example, if a consumer borrows \$100 and repays it in 12 equal monthly installments, and if the finance charge is \$6, some creditors will represent this to be 6 percent. However, the true annual rate is nearly 12 percent since the consumer has gradually been repaying the full debt and has not had the full use of the \$100 for a full year. In fact, on the average he has had only \$50 or close to it.

Other creditors employ a system of additional fees and charges designed to increase the effective rate. For example, it is possible to increase the rate from 12 percent to 18 percent by adding additional charges for credit investigation, loan processing, or other similar charges. This is somewhat analogous to a grocer advertising the cost of a loaf of bread for 3 cents while in the fine print indicating the wrapper will cost 2 cents, distribution 5 cents, processing 7 cents, and handling charges 4 cents.

Other creditors will merely disclose the amount of the weekly or monthly payments without indicating the total finance charge or any rate whatsoever.

A creditor might indicate, for example, \$2 down and \$2 a week for a hi-fi set. Unless the consumer gets out pencil and paper and figures it out for himself, he has absolutely no idea of the cost of the credit either in dollars or as an annual rate.

As a result of these confusing practices, some segments of the credit industry have been able to charge truly exorbitant rates with relative impunity. Recent cases from the files of the Cook County Bankruptcy Court indicated, for example, that finance charges ran as high as 283.9 percent for used cars, 235 percent for TV and hi-fi sets, 199.6 for clothing, and 105.2 percent for furniture. Numerous cases filed with the committee indicate that this is by no means a unique or rare occurrence.

I recall a hearing we had a couple of years ago in New York where case after case was documented by witnesses who came in and testified. We computed the amount they were paying and the rates in virtually all cases exceeded 100 percent and often exceeded 200 percent.

Frequently, these high rates are levied upon the low-income groups who can least afford to pay the exorbitant sums. I hasten to add that these high rates are not a respecter of high income or education. College graduates, college students, professors, and others are as frequently the victims of this kind of overcharge and these very high rates as people who are in the low-income brackets. However, in some cases people with higher education can afford it better than those people who are tragically exploited in the very low income area.

But it is not the low-income groups who are victimized by the hidden cost of credit. The well educated and wealthy are also taken in. For example, one of the most popular education loans sponsored by consumer finance companies involve rates of interest as high as 54 percent. This is for higher education. In fact, most people seriously underestimate the true cost of their credit. A recent survey asked a sample of 800 families to esti-

mate the rate they were paying on their debts. The average estimate was 8 percent. The actual rate turned out to be three times higher, or 23 percent. I believe this indicates that most people truly do not know the cost of credit and the need for disclosure legislation is abundantly evident. In many cases it would be 6, 7, 8, or 9 percent because in these cases there is a free ride involved for everyone who purchases on revolving credit under almost any of the plans which we had an opportunity to review.

SIZE OF CONSUMER CREDIT

The growth of consumer credit since 1945 has been at a rate of 4½ times greater than the growth rate of our economy as a whole. At the end of 1945 consumer credit amounted to \$5.6 billion, whereas in March of 1967 the total amount had climbed to \$92.5 billion. Thus, the size of total consumer debt is nearly 17 times as great as it was in 1945.

Of this \$92.5 billion, \$73.6 billion is represented by installment credit. The largest single element consists of over \$30 billion in automobile paper, which accounts for over 30 percent of consumer credit.

Another rapidly growing form of credit consists of open-end or revolving credit. Approximately \$3.5 billion in revolving credit was outstanding in March of 1967. The great bulk of this is represented by department store revolving credit charge accounts, although recently a number of commercial banks have moved into the revolving credit field.

Currently, American families are paying approximately \$12.5 billion a year in interest and service charges for consumer credit. That is about as great as the Federal Government pays itself for interest on the national debt.

From these figures it can be seen that the potential savings which can arise from more effective price competition in the consumer credit industry are truly enormous. If, as a result of full disclosure, price competition in the consumer credit field were to reduce the rate consumers pay by 1 percentage point, the American consumer would save over \$1 billion a year. Thus, the potential for increased consumer purchasing power is truly substantial. Consumers would have more to spend on goods and merchandise and, far from having a harmful effect on the economy, the bill should be helpful to business.

PROVISIONS OF THE BILL

Mr. President, I ask unanimous consent to have printed in the RECORD at the end of my remarks a complete section by section analysis of the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. PROXMIRE. Mr. President, I should now like to outline briefly the most important elements of the bill:

Section 3 of the bill provides for definitions. The definition of credit would apply to all forms of consumer credit including loans, retail installment contracts, retail revolving charge accounts, second mortgages, and other forms of credit. The bill would cover credit extended to consumers but would not cover

credit extended to organizations or credit extended primarily for business or commercial purposes. In addition to consumer credit, the bill would also cover agricultural credit when the credit was extended to a person as opposed to a corporation or other organization.

By limiting the bill to the field of consumer credit, the committee believes it is providing disclosure requirements in the area where it is most essential. Most businesses or corporations are in a good position to judge the relative worth of alternative credit plans and by and large do not require the special disclosure protections provided by the bill.

Section 4 contains the principal elements of the bill and sets forth the various disclosure requirements on consumer credit transactions. The disclosure would have to be made before the credit is extended. In most cases it would amount to providing the required information on the installment contract or other evidence of indebtedness which the consumer would sign in order to complete the transaction. A creditor could also furnish the information on a separate document, providing the information was given before the consumer actually agreed to the credit transaction.

All installment creditors would be required to disclose the total cost of the credit in terms of dollars and cents and in terms of an annual percentage rate. In addition, all other charges incident to the transaction would be required to be set forth, such as taxes, official fees, or insurance.

The annual percentage rate would be determined on the declining balance of the obligation. For example, assume a person borrowed \$100 with a finance charge of \$6, and repaid the total indebtedness of \$106 in 12 equal monthly installments. Since the debt would have been gradually repaid over a 12-month period, the consumer would actually have had the use, on the average, of approximately one-half of the original amount of credit. Therefore, the annual percentage rate would be measured not against the original amount of credit but against the amount of credit actually in use over the period. The example given would come to approximately 11 percent per year. The bill provides the rate be computed in accordance with the actuarial method, or such other comparable methods as the administering agency may prescribe.

Under section 5, the administering agency, which is the Federal Reserve Board, would be given the authority to provide for rate tables, charts, or other methods to assist creditors in compliance with this provision. Many creditors already use rate charts in the ordinary course of business in order to compute the amount of the finance charge and the size of the periodic payments for a given credit transaction. In such cases, the additional requirements to disclose the annual percentage rate can be complied with by merely adding one additional column to the rate charts now in use.

Under section 5, the Federal Reserve Board would also be given the authority to prescribe a built-in tolerance for such rate charts. The bill would provide for tolerances of about 1 percentage point if

the cost of credit was at the rate of 12 percent a year. Correspondingly greater and lesser tolerances would be provided if the rate were higher or lower. This provision should simplify compliance with the bill and avoid the necessity of using cumbersome and extensive rate charts.

Section 6 of the bill clarifies the relationship between Federal law and State law. The committee has made a considerable effort to indicate its intent is not to preempt the entire field of consumer credit, but rather to encourage as much State legislation in this area as is possible so that the Federal law will no longer be necessary.

Section 6(a) would establish the basic congressional policy that the bill does not preempt State consumer credit legislation unless the State provision was inconsistent with the Federal law, and then only to the extent of the inconsistency. Language has also been included to make it clear that the annual percentage rate required to be disclosed under section 4 is not an interest rate within the meaning of the various State usury laws. The definition of finance charge includes all costs incident to credit including interest and other charges incident to the extension of credit.

In many States the legal definition of interest may be substantially less extensive than the definition of finance charge under section 3 of the bill. The committee, therefore, wishes to make it abundantly clear that the annual percentage rate is not equivalent to the legal definition of an interest rate, but is instead a composite rate which includes all charges incident to credit including interest.

The committee also wishes to make it clear that nothing in the act shall be construed to alter the judicial interpretation of the time-price doctrine upon which most consumer retail credit is based. Once again, the disclosure of the annual percentage rate on retail credit transactions should not be construed to be the disclosure of a rate of interest.

Section 6(b) of the act would give the Federal Reserve Board the authority to exempt creditors from complying with all or parts of the bill if substantially similar disclosure provisions were contained in State law. The committee is hopeful that with the passage of a Federal truth in lending law the States will be prompted to pass substantially similar legislation so that after a period of years the need for any Federal legislation will have been reduced to a minimum. Several States have already enacted somewhat comparable truth in lending laws. In addition, the National Conference of Commissioners on Uniform State Laws has been working quite diligently on a proposed consumer credit code to recommend to the various State legislatures beginning in 1969. The committee applauds and endorses the worthwhile efforts of the National Conference of Commissioners on Uniform State Laws and urges that the States act favorably in adopting a uniform consumer credit code. Although this bill would be limited to the disclosure aspects of consumer credit, the proposed consumer credit code goes considerably beyond disclosure and, in fact, proposes a variety of beneficial

changes in the entire consumer credit area. The committee is hopeful that these worthwhile efforts will not be hampered by the passage of the Federal Truth in Lending law. The committee is also hopeful that the provision under section 6(b), whereby creditors will be exempt from compliance with the Federal law if their State enacts substantially similar legislation, will serve as an incentive to the States to act favorably upon the proposed consumer credit code. In this respect the committee believes the Federal Truth in Lending law and the proposed consumer credit code are supplementary rather than competing alternatives.

The enforcement of the bill would be accomplished largely through the institution of civil actions authorized under section 7 of the bill. Any creditor who fails to disclose the required information would be subject to a civil action with a penalty of twice the finance charge. However, the minimum penalty would be \$100 and the maximum penalty would be \$1,000. The committee has not recommended investigative or enforcement machinery at the Federal level, largely on the assumption that the civil penalty section will secure substantial compliance with the act. If, in the course of the administration of the act, it becomes evident that additional steps need to be taken to bring about enforcement, the committee will consider additional legislation. In the meantime, the Federal Reserve Board would be required to report to the Congress annually as to the extent to which the disclosure provisions are being complied with.

Although the provision for civil penalties under section 7(a) would authorize a penalty of twice the finance charge, a successful civil action against the creditor would not relieve the consumer from complying with the terms of the contract as required by State law. In other words, if a creditor failed to disclose the annual percentage rate on a loan where the finance charge was \$400, the creditor would be liable to an \$800 penalty. However, the consumer would still be required to repay the indebtedness including the \$400 finance charge, in accordance with the original agreement and applicable State law.

The committee provided in the section on civil penalties that a creditor could defend against a civil action by proving that the failure to comply was the result of a bona fide error. However, the burden of proof would be on the creditor to prove that the error was in fact unintentional. Section 7(a) on civil penalties also provides that a creditor would be liable for reasonable attorney fees and court costs in the event the suit were decided in favor of the plaintiff.

Section 8 of the bill deals with several exceptions to the provisions which the committee has recommended:

First, the bill excludes credit transactions for business or commercial purposes or credit to organizations.

Second, stockbroker margin loans to investors would be exempt from the disclosure requirements of the bill. The committee has been informed by the Securities and Exchange Commission that

the Commission has adequate regulatory authority under the Securities Exchange Act of 1934 to require adequate disclosure of the cost of such credit. The committee has also been informed in a letter from the SEC that "the Commission is prepared to adopt its own rules to whatever extent may be necessary."

In recommending an exemption for stockbroker margin loans in the bill, the committee intends for the SEC to require substantially similar disclosure by regulation as soon as it is possible to issue such regulations.

Third, the bill would exempt credit transactions when the amount to be financed exceeds \$25,000. In such cases the committee felt the transaction would be considerably above the average consumer credit transaction and that the protection afforded by the disclosure requirements would no longer be necessary. The \$25,000 cutoff also provides an objective test between consumer credit and business credit which can be used to facilitate compliance with the act.

Fourth, the bill would exempt real estate first mortgage credit. The committee felt that adequate disclosure was already being made in this area of credit, however, second or third mortgages would still be subject to the disclosure provisions of the bill. Most of the abuses encountered by the committee with respect to real estate transactions were in the second mortgage area rather than in first mortgages.

The committee also intends that the disclosure provisions would not apply to life insurance policy loans which are merely component features of an overall contractual arrangement.

REVOLVING CREDIT

The most widely discussed subject under consideration by the committee was revolving credit. I believe it is safe to say that no one on the committee is entirely happy with the compromise upon which we eventually agreed. From my own standpoint, I think that the revolving credit provisions could be strengthened. Nonetheless, I think we have recommended a reasonable compromise, which I am hopeful will prove to be workable.

The original version of S. 5, which I introduced on January 11, would have required all revolving credit plans to disclose, among other things, the annual percentage rate. This disclosure would have been made when the account was opened and on each periodic monthly statement. The annual percentage rate would have been determined by multiplying the monthly rate by 12. For example, if the monthly rate were 1½ percent, a creditor would have cited the annual rate to be 18 percent. This provision of the bill drew the most criticism from retailers. The industry argued that if the actual credit in use is measured from the time of each transaction to the time of each payment, the rate would vary considerably from 18 percent, and in most cases would be substantially less than 18 percent.

To my way of thinking, this argument missed the essential point of disclosure. From the standpoint of the consumer, it is not really relevant to measure the

rate from the time of the purchase but rather from the time the credit charge actually begins. The customer does not really have to make up his mind to use revolving credit when he buys the goods from the store. He generally has, as I say, a "free ride" from 30 to 60 days before the credit charge will begin. From the consumers' standpoint, the relevant decision point is just before the credit charge is to begin. At this time he must make up his mind as to whether he wants to incur the service charge, or borrow from another lender to pay off the store. If the credit is measured from this point, it would work out to be exactly 18 percent, or 12 times the monthly rate, and such a rate would be the more meaningful rate to the consumer.

Nevertheless, there were serious and, I should say, very competent and sincere objections in the committee to this line of reasoning. Highly competent Members of the Senate serve on this committee and they felt strongly that it would be a miscarriage of justice if this were imposed on the industry because it would not be accurate and often flagrantly inaccurate. While I disagree with that new point, it is a sincere and competently held viewpoint. Although we could not come to a unanimous conclusion on this point, the committee was convinced that if revolving credit were to be exempt from disclosing an annual rate, safeguards should be included to insure that existing forms of installment credit would not be induced to convert to revolving credit in order to escape an annual rate disclosure. The committee also felt that in cases where revolving credit was commonly used to finance large purchases, this form of credit should not be given a competitive advantage over creditors who finance similar items on an installment contract basis. For example, some department stores have an extended payment revolving credit plan which they commonly use to finance large ticket items such as furniture, TV sets, and larger appliances.

It would be unfair to permit these stores to quote a monthly rate of 1½ percent while the small independent furniture store down the street, who financed his sales through installment contracts, would be required to disclose 18 percent. In such a case, the cost of credit would be identical. However, the credit offered by the furniture dealer would sound much higher.

For these reasons, the committee adopted a compromise which would exempt ordinary revolving credit plans from disclosing the annual rate but which would require installment-type revolving credit plans to disclose the annual rate. The installment-type revolving plan would be defined on the basis of whether the creditor maintained a security interest title or whether the terms of the payment were extended. An extended payment plan would be defined as one in which less than 60 percent of the obligation was payable in 1 year. This would cover credit transactions which could be paid out over a period of 19 months or longer.

I believe that this committee compro-

mise will provide some deterrent to a creditor switching from installment credit to revolving credit in order to escape annual rate disclosure. It does, however, still permit the sale of many large ticket items under ordinary revolving credit plans which would not disclose the annual percentage rate.

Despite these imperfections, I believe that the bill recommended by the committee is the best possible bill we could report. It will provide the American consumer with substantially more information on all forms of consumer credit. Even on revolving credit which would not disclose the annual percentage rate, substantially more information would be included. For example, many department stores do not indicate on their monthly statement that a service charge of 1½ percent will be levied if the bill is not paid in 30 days. Under the bill, this information would have to be disclosed. Department stores would also have to disclose their system by which the service charge is determined. Some stores give credit for partial payments during the month while others do not. At the present time the consumer has no way of knowing the actual method followed by the store. Under the bill, department stores would be required to disclose their method of billing.

For all other forms of credit, including small loans, bank installment loans, installment contracts, and second mortgages, the consumer would be provided with a complete disclosure of credit in terms of dollars and annual rates.

I believe this bill will help the American consumer, but it will also help business. Although the Massachusetts truth-in-lending law was originally opposed by the business community, testimony before our committee has revealed that it has been not only accepted by the industry but is enthusiastically supported by industry. Massachusetts automobile dealers, for example, believe the disclosure provisions will protect the average businessman from unethical competition based upon deceptive credit practices. I believe that this bill will also restore confidence in the consumer credit industry and take the mystery out of credit. Just as the Securities Act of 1933 led to a strengthened securities industry, so the Truth-in-Lending Act of 1967 will lead to a strengthened consumer credit industry.

Part of our free enterprise system is to disclose the facts to the consumer. When the consumers have the facts they can best make up their minds on whether to buy or not. This is the heart of our free enterprise system. It insures that in the final analysis business is responsive to the needs of the consumer. Thus, disclosure is in the mainstream of our economic system. I recommend this bill to every Senator as a reasonable bill, a sound bill, a bill which protects both business and consumers, and a bill which is in accord with our free enterprise system. I recommend its adoption to the Senate, and I am hopeful that every Member of the Senate can support this measure. Every member of the committee did, and a bill was reported from the full committee without objection. The victory for truth in lending is not only a

victory for the consumer, it will also be a tribute to our great former colleague, Paul H. Douglas, who was and is the principal architect of this important measure. I know of no more fitting tribute we can pay to a Member of the Senate whose absence today I am sure will be sorely missed by all.

Mr. President, I yield the floor.

EXHIBIT 1

SECTION-BY-SECTION SUMMARY AND COMPARISON WITH ORIGINAL S. 5 AS INTRODUCED ON JANUARY 11

SECTION 2. DECLARATION OF PURPOSE

Declares that the enhancement of economic stabilization and the strengthening of competition are the primary objectives to be achieved through greater awareness of credit costs. The term "consumer credit" was substituted for "credit" and "consumer" was substituted for "user" of credit to make the intent clear that the bill applies to consumer credit and not all forms of credit.

SECTION 3. DEFINITIONS

Section 3(a)—Definition of "Board".—Refers to the Board of Governors of the Federal Reserve System. No change from original S. 5.

Section 3(b)—Definition of "credit".—Credit is defined as "the right granted by a creditor to defer payment of debt or to incur debt and defer its payment." This definition was taken from the proposed Consumer Credit Code sponsored by the National Conference of Commissioners on Uniform State Laws. The original S. 5 language was deleted because it was somewhat cumbersome and sweeping and referred to various types of lease situations which might not be true extensions of credit. This original S. 5 language was based on the Federal Reserve's old regulation W, which was designed for a different purpose.

The definition also makes clear that consumer credit means debt contracted by persons for personal, family, household, or agricultural purposes. The original S. 5 would have applied only to debt contracted by persons and not by "businesses as such." It thus was not clear whether this definition applied to agricultural credit.

The definition also makes it clear that credit means those bailment lease situations described further in section 3(c).

Section 3(c)—Definition of "consumer credit sale".—This is a new definition made necessary by the revised structure of section 4 which treats lender credit and retail credit separately. The new definition defines credit sales whose disclosure provisions come under section 4(b) as opposed to direct loans which come under section 4(c). The definition makes it clear that the act covers only those creditors who regularly extend credit in accordance with Senator McIntyre's comments during the hearings.

The definition of credit sale is also limited only to those leases which are, in essence, disguised sale arrangements. The definition has been so limited because there is no way to disclose a finance charge or rate in connection with a conventional lease as Governor Robertson pointed out on page 8 of his testimony. The language covering disguised leases is nearly identical to the language used in the Uniform Conditional Sales Act and in many State retail installment sales acts to distinguish between "true" leases and other leases.

Section 3(d)—Definition of "finance charge".—Defines a finance charge as all charges imposed by a creditor and payable by an obligor as an incident to the extension of credit. This definition has been expanded from the original S. 5 to make its meaning clearer.

The original bill was ambiguous on the treatment of official fees, taxes, and property and casualty insurance. The bill reported by the committee makes it clear these charges

would not be considered part of the finance charge to be calculated in the annual rate. In addition, the definition lists those typical real estate closing costs which would be excluded. These changes meet a number of criticisms raised during the hearing and should simplify compliance with the bill.

The original bill was silent on whether credit life insurance should be counted in the finance charge or not. The bill reported by the committee would exclude such insurance from the definition of the finance charge and would not require premiums for such insurance to be included in the computation of the annual percentage rate.

Section 3(e)—Definition of "creditor."—Essentially the same language is used, but Senator McIntyre's suggestion is reemphasized by restricting the definition only to those who regularly engage in credit transactions. Thus a small retailer who extended credit and charged for it in an isolated instance to accommodate a particular customer would not be covered.

Section 3(f)(1)—Definition of "annual percentage rate."—This definition has been rewritten to achieve greater clarity. The old definition described what was essentially the actuarial method for determining an annual rate, but it did not use the term actuarial method. Many had difficulty in determining the intent. The new definition rather than describing the actuarial method, merely indicates it is the method to be followed. This is a well recognized term in the mathematics of finance and has also a long judicial history under the U.S. rule (*Story v. Livingston* (38 U.S. 359) 1839).

There are at least seven methods for computing the "simple" annual rate on the declining balance and though they all produce nearly similar results, the actuarial method is considered to be the most accurate. This method assumes that a uniform periodic rate is applied to a schedule of installment payments such that the principal is reduced to zero upon completion of the payments. The actuarial rate is such periodic rate multiplied by the number of periods in a year.

The definition also permits a creditor to simplify the computation by ignoring slight irregularities in the payment schedule, such as a deferred first payment, or one odd-sized payment. This will greatly simplify compliance while maintaining reasonable accuracy.

Section 3(f)(2)—"Other methods."—The Board is also given the power to prescribe other methods for determining the annual percentage rate. For example, the constant-ratio method, which is in the Massachusetts law, could be used for highly irregular contracts. It is possible to develop formulas or other shortcut procedures based on the constant-ratio method which would be much simpler than the actuarial method.

Section 3(f)(3)—"Annual rate on open-end credit."—The annual percentage rate on open-end or revolving credit is defined as the periodic rate times the number of periods in a year. This is exactly equivalent to the actuarial rate.

Section 3(f)(4)—"Bracket rates."—The definition makes it clear that creditors who determine their finance charges on the basis of a bracketed amount of credit can compute the annual percentage rate on the basis of the midpoint of the bracket. For example, assume a mail-order house charges a flat \$20 for purchases ranging between \$140 and \$150. Under the new language, a creditor could compute the rate of \$145 and disclose it for all transactions within the bracket, whether they were \$140.01 or \$149.99.

Section 3(g)—Definition of "open-end credit."—This definition of open-end credit is identical to the original S. 5 and is similar to the language used in many State retail installment sales acts. The essential characteristics of open-end credit are that credit transactions are entered into from time to time, payments are made from time to time,

and finance charges are computed on the unpaid balances from time to time. The definition is intended to include all plans permitting credit transactions from time to time, such as charge accounts and credit card accounts, even though the creditor does not normally compute a finance charge on the outstanding unpaid balance.

Section 3(h)—Definition of "installment open-end credit".—This is a new definition made necessary by the committee's treatment of disclosing an annual rate on open-end credit plans under section 4(d).

Open-end or revolving credit plans would be exempt from the annual rate requirement except for "installment open-end credit plans." Such plans are ordinarily used to finance large purchases and are distinguished from ordinary revolving credit by the extended length of time permitted for repayment and the maintenance of a security interest in the merchandise. Such plans would be covered if 60 percent or less of any amount of credit was payable in 1 year, or if the seller maintained a security interest, or if accelerated payments are applied to future payments.

Section 3(i)—Definition of "first mortgage credit".—This is also a new definition made necessary by the committee's recommendation that first mortgage credit be exempted from the bill. Such exemption is included under section 8. The committee felt that consumers were already receiving adequate information. In this area, second or higher mortgages would be covered under the bill.

Section 3(j)—Definition of "organization".—Defines an organization as a corporation, government or governmental subdivision, or agency, business or other trust, estate, partnership, or association. Credit to such entities would be excluded from the provisions of the bill.

SECTION 4. DISCLOSURE OF FINANCE CHARGES

Section 4(a)—Requirement to disclose.—This is a prefatory section setting forth the basic requirement to disclose. It is similar to the original S. 5, except that it is made clear that disclosure need only be made to persons "upon whom a finance charge is or may be imposed." Thus, the disclosure requirement would not apply to transactions which are not commonly thought of as credit transactions, including trade credit, open account credit, 30-, 60-, or 90-day credit, etc., for which a charge is not made.

Section 4(b)—Disclosure on retail credit.—The original S. 5 covered retail and lender credit under subsection 4(a). The committee bill splits retail and lender credit into two subsections—4(b) and 4(c). The reason for this change is to emphasize the fact that Congress recognizes the difference between these two forms of credit and does not deny the validity of the time-price doctrine upon which most retail credit is legally justified. This should prevent the act from being used as ammunition in any litigation challenging the time-price doctrine. Many retailers had expressed concern over this possibility.

Section 4(b)(1)–4(b)(3)—Disclosure of cash price and trade-in allowances.—These subsections are similar to the original S. 5 and are also common to most retail installment sales acts.

Section 4(b)(4)—Disclosure of other charges.—The new version clarifies S. 5 by restricting disclosure to those charges "which are included in the amount of the credit extended." The original S. 5 was ambiguous on this point and could have been interpreted as requiring charges not included in the credit to be listed in the total amount to be financed, which is a logical contradiction.

Section 4(b)(5)—Disclosure of amount to be financed.—This is the total amount of credit, after adding in all other charges other than finance charges. The language is similar to the original S. 5.

Section 4(b)(6)—Disclosure of finance charge.—This section sets forth the require-

ment to disclose the finance charge in dollars and cents. The committee bill adds a new reference to labeling the finance charge as a "time-price differential" to reinforce the distinction between lender credit and retail credit.

Section 4(b)(7)—Disclosure of annual percentage rate.—The committee bill exempts retail creditors from disclosing an annual percentage rate if the finance charge is less than \$10. The original S. 5 did not provide for such an exemption. The purpose of this amendment by the committee was to simplify compliance, particularly for small retail businesses. Many retailers impose a fixed minimum charge on installment contracts, regardless of the amount of credit. It will be easier to develop rate tables if these transactions are exempted.

Section 4(b)(8)—Disclosure of repayment schedule.—The original S. 5 required disclosure of the "time and amount of payments." The committee bill requires the "number, amount, and due dates or periods." This makes it clear that a creditor can disclose "36 monthly payments of \$20 due on the first of each month beginning in July" without actually listing the date of each individual payment.

Section 4(b)(9)—Disclosure of late payment penalties.—This language is similar to the original S. 5 except that the requirement to indicate the terms applicable in the event of advanced payment has been deleted. Most creditors will rebate an unearned finance charge if the debt is paid early in accordance with the "rule of 78's." This is a complicated formula which would require at least a three-paragraph explanation to be intelligible to the average consumer.

Section 4(b)—Time of disclosure.—The original of S. 5 required disclosure "prior to the consummation of the transaction." The committee bill substitutes "before the credit is extended" with a stipulation that the disclosure can be made on the contract or other document to be signed by the consumer. This obviates the need for a separate piece of paper showing the disclosure items.

Section 4(b)—Disclosure for mail or telephone sales.—This permits mail-order houses to comply with the act by disclosing prior to the first payment providing the general terms of financing are set forth in the catalog. A similar provision is contained in the Massachusetts law. No such provision was in the original S. 5.

Section 4(c)—Disclosure on lender credit.—This is a new subsection written to distinguish between lender and retail credit. It is a residual category encompassing all credit other than retail credit or open-end credit which are defined elsewhere in section 3. Hence, no definition of loan is provided as it would fall within the general definition of credit. Financial institutions such as banks, credit unions, savings banks, savings and loan associations, industrial banks, and consumer finance companies would fall under this subsection. Similar changes, described under section 4(b) for retail credit, have also been incorporated in the lender section.

Section 4(d)(1)—Disclosure of open-end credit.—This section applies to open-end credit plans.

Section 4(d)(2)—Disclosure when the account is opened.—This section outlines the disclosures to be made when the account is opened.

Section 4(d)(2)(A)—Disclosure of conditions of plan.—This section requires the disclosure of the basic conditions of the plan. It clarifies the original S. 5 by requiring the disclosure of the time period, if any, for avoiding finance charges. For most department store revolving accounts, this will be the time from the date of the purchase to the end of the billing period plus an additional 30 days.

Section 4(d)(2)(B)—Disclosure of billing system.—This is a new requirement not in

the original S. 5 and is in accordance with Mr. Batten's recommendations when he testified for J. C. Penney's. As Mr. Batten pointed out, there is a substantial difference in dollar cost between the opening-balance method and the adjusted-balance method. This paragraph would require the disclosure of whatever method was followed.

The opening-balance method charges on the opening balance unless paid in full within 30 days. Some stores count returns as payments, while others do not. The adjusted-balance method charges on the basis of the opening balance less any payments and returns during the month. Some stores use the adjusted-balance method but do not count returns. About 60 percent of department stores use the opening balance method and about 40 percent use the adjusted-balance method.

Section 4(d)(2)(C)—Disclosure method of determining the finance charge.—This paragraph requires disclosure of the complete method for determining the finance charge including the imposition of any fixed or minimum fees. Many department stores have minimum fees while bank check credit plans often have a 25-cents-per-check charge. By requiring separate disclosure of these charges, the new version also recognizes such charges cannot be included in the rate.

The section also requires disclosure of the periodic rate. In addition, installment open-end credit plans, as defined by section 3(h), would disclose the annual percentage rate which would be 12 times the monthly rate.

This provision reflects a major recommendation of the committee to exempt open-end credit plans from the annual rate, but to include installment open-end credit plans.

Such plans are ordinarily used to finance large purchases and are distinguished from ordinary revolving credit by the extended length of time permitted for repayment and the maintenance of a security interest in the merchandise. Such plans would be covered if less than 60 percent of any amount of credit was payable in 1 year, or if the seller maintained a security interest, or if accelerated payments are applied to future payments.

The purpose of this distinction is to eliminate any incentive to convert closed-end installment credit to revolving credit merely to escape annual rate disclosure. The amendment also provides greater comparability between installment open-end credit plans and installment closed-end credit plans. Smaller merchants who extend credit through installment contracts can compete on a comparable basis with the larger stores who use extended payment revolving credit.

Section 4(d)(2)(D)—Disclosure of method of determining other charges.—This is also a new provision. It has been included in the event the Board determines the 25-cents-a-check charge on bank check credit plans or similar charges are not finance charges. In any event, they would be required to be disclosed.

Section 4(d)(3)—Disclosure on periodic statements.—This subsection outlines the disclosure which must be made on the periodic statements. It differs from the original S. 5 by explicitly not requiring a statement if there is no balance in the account.

Section 4(d)(3)(A)—Disclosure of opening balance.—Requires disclosure of the opening balance and is similar to the original S. 5.

Section 4(d)(3)(B)—Disclosure of transactions during period.—Requires a statement of credit transactions during the period and is similar to the original S. 5.

Section 4(d)(3)(C)—Disclosure of payments during period.—Requires disclosure of payments or returns during the period and is similar to the original S. 5.

Section 4(d)(3)(D)—Disclosure of the amount of finance charge.—This requires a statement of the finance charge similar to the original S. 5; however, it also requires that this charge be broken down to specify

how much is due to a percentage rate and how much is due to a fixed or minimum fee. For example, the monthly charge on a revolving check credit plan would have to show how much was due to the 25-cents-per-check charge and how much due to the 1-percent monthly rate. This will insure direct comparability between the finance charge and the rate.

Section 4(d)(3)(E)—Disclosure of the balance on which the finance charge was computed.—This paragraph is similar to the original S. 5 but it adds the requirement to state the method for determining the balance. For example, stores which use the adjusted balance method might have a statement along the following lines: "You will be charged 1½ percent of your opening balance less any payments and returns during the month." Stores which use the opening balance method might indicate: "You will be charged 1½ percent of your opening balance unless paid in full within the month."

Section 4(d)(3)(F)—Disclosure of the rate of finance charge.—The committee's recommendation to partially exempt open-end credit from the annual rate is also implemented under this section. All open-end credit plans would disclose a periodic (monthly) rate on the periodic statements. In addition, installment open-end credit plans would disclose an annual rate for the reasons outlined under section 4(d)(2)(C). The original S. 5 would have required all open-end credit plans to disclose an annual rate.

Section 4(d)(3)(G)—Disclosure of closing balance.—Requires disclosure of closing balance and is similar to the original S. 5.

Section 4(d)(3)(H)—Disclosure of the time for avoiding a finance charge.—This is a new provision. The creditor would indicate for example: "If you pay your bill within 30 days you will not be charged." It reinforces the idea of a "free ride" period for which there is no charge. This is also in line with Governor Robertson's testimony.

Section 4(e)—Acknowledgement of disclosure.—This is a new provision designed to facilitate the free flow of credit paper. It provides a bank or finance company with assurance that the original dealer has made the required disclosure and that the bank or finance company will not be liable for any failure, on the dealer's part, to make disclosure.

Section 4(f)—Method of disclosure.—This section contains four new provisions designed to facilitate compliance.

In order to reduce needless paperwork, disclosure need only be made to one obligor. For example, if two people (e.g. a husband and wife) are the obligors, only one copy of the contract with the required disclosure information would need to be furnished. A similar provision is contained in the Massachusetts General Laws (ch. 140A, sec. 4).

In order to afford greater flexibility, the required information need not be furnished in the order outlined in the act. This provision is common in retail installment acts.

In order to facilitate compliance, language different from that contained in the act can be used if it conveys substantially the same meaning. This provision will ease the compliance with both State and Federal law in a single disclosure statement.

In order to provide greater clarity, additional explanations of disclosed information is expressly permitted.

Section 4(g)—Compliance with comparable State laws is compliance with Federal law.—This is a new provision. It is intended to avoid duplication of Federal and State requirements, to leave State requirements untouched as much as possible, and to permit a creditor to avoid double paperwork. If he complies with the applicable State disclosure law, he need supply only the additional information required by the Federal act to comply with such Federal act. It also

makes it clear the Congress does not intend to preempt consistent State laws but merely to build upon them.

Section 4(h)—Adjustments after the contract do not violate the disclosure made.—This is similar to the original S. 5; however, the original version only applied to adjustments through "mutual consent of the parties." The present version adds: "or as permitted by law, or as the result of any act or occurrence subsequent to the delivery of the required disclosures." A repossession permitted by State law but not mutually agreed to by both parties would affect the rate. The new language makes it clear that such a change would not violate, the act.

Section 4(i)—Optional form of rate statement.—The subcommittee amended the bill to permit a rate statement either in percentage terms or as dollars per hundred per year. In all cases, however, the rate would be on the declining balance of credit. For example, if the effective annual rate, as measured by the actuarial method was 12 percent, the creditor could either disclose 12 percent per year or \$12 per hundred per year. This option will terminate on January 1, 1972. After that date, all creditors would use the percentage form of expressing the rate.

The purpose of this change was to minimize any possible conflict with State usury laws in those States where the percentage form of rate expression might cause a legal problem for some creditors. However, all creditors will be required to use the percentage form after January 1, 1972, since by that time, any such problems with the usury laws will have had ample time to be corrected.

SECTION 5. REGULATIONS

Section 5(a)(1)—Prescribing methods for determining the annual rate.—This expands upon the original S. 5 by specifically authorizing the use of rules, charts, tables, or other devices. Such express authority was recommended by the Commerce Department.

Section 5(a)(2)—Methods of disclosing.—This section gives the Board authority to prescribe methods to insure the required information is disclosed clearly and conspicuously. Similar provisions were included in the original S. 5.

Section 5(a)(3)—Tolerances.—This section gives the Board authority to prescribe reasonable tolerances. A similar provision was in the original S. 5.

Section 5(b)—Prescribing tolerances.—This is a considerable expansion of the original S. 5 which merely provided the Board authority to establish "reasonable" tolerances. Governor Robertson, in his testimony, requested a quantitative definition of "reasonable."

Section 5(b)(1)—Tolerance on single rate situations.—This paragraph covers simple situations where a creditor uses a single add-on, discount, or periodic rate to determine the finance charge. For example, a bank which uses a 6-percent, add-on rate would know immediately that the actuarial equivalent was 10.90 percent on a 12-month contract. A credit union would instantly know that 1 percent per month was 12 percent a year. In such cases a tolerance to the nearest quarter of 1 percent is prescribed.

Section 5(b)(2)—Tolerance for tables.—This paragraph covers more complex situations where the creditor determines the finance charge in a more complicated manner such as a combination of monthly rates (e.g. 3 percent on the first \$300; 2 percent on the next \$200; and 1½ percent on the excess); or perhaps he determines the charge by an add-on rate of 10 percent plus a fixed charge of \$10. In such cases the answer would be provided by a rate table. The bill authorizes a tolerance of 8 percent to be built into the table. This does not refer to 8 percentage points, but to 8 percent of the rate. For ex-

ample, if the actual rate were 12 percent, the tolerance would be 0.96 percent (8 percent times 12 percent) or almost 1 percentage point. Thus, the tolerance would vary depending upon the size of the rate. For credit at 6 percent, the tolerance would be roughly one-half of a percentage point. At 12 percent it would be 1 percentage point. At 24 percent it would be 2 percentage points and so on. A provision is added to penalize any creditor who willfully uses these tolerances so as to always understate the rate. The purpose of the tolerance is to simplify the construction of tables so that they do not have to be overly detailed. With such tolerances, the disclosed rate should, on the average, be slightly over the actual rate half the time and slightly under the actual rate half the time.

Section 5(b)(3)—Tolerance for other situations.—This paragraph authorizes the Board to prescribe other reasonable tolerances for creditors who do not wish to use tables in computing the rate.

Section 5(b)(4)—Tolerance for irregular payment situations.—This paragraph would permit the Board to prescribe even greater tolerances for irregular payment situations. It is expected, for example, that the Board will permit creditors to disregard a certain number of skip payments in computing the rate. In such a case, the rate computed as though the contract were a level payment contract might vary 2 or 3 percentage points from the actual rate. These irregular situations would be in excess of the slight irregularities already recognized under section 3(f)(1), for which authority is provided to disregard.

Section 5(c)—Authority to prescribe adjustments and exceptions.—This section gives the Board authority to prescribe adjustments and exceptions for any classes of transactions in order to prevent circumvention and facilitate compliance. This is similar to the original S. 5 except that the phrase "to facilitate compliance by creditors with this Act or any regulations issued hereunder" has been added as an additional authority for prescribing such adjustments or exceptions. Also "the Board may consider, among other things, whether substantial compliance with the disclosure requirements of this Act is being achieved under any Act of Congress or any State law or regulations under either" the words "among other things" were added at Governor Robertson's suggestion to make it clear these are not the only things the Board will consider. The phrase "or any State law or regulations under either" has also been added.

Section 5(d)—Consultation with other agencies.—This section indicates the Board may consult with any agency, which in the Board's judgment exercises regulatory functions with respect to any class of transactions. The original S. 5 required such consultation of all agencies which exercise such regulatory functions. Thus, the present language leaves it up to the Board as to who should be consulted. This is designed to overcome Governor Robertson's concern that the Board's regulations might be challenged because it hadn't consulted a particular agency.

Section 5(e)—Advisory committee.—This section requires the Board to establish an industry advisory committee. This differs from the original S. 5 in that the limitation of nine members has been removed and the per diem allowance is increased from \$25 to \$100 per day. The latter change is in line with Governor Robertson's observation that few members would be available at the lower figure. However, the section was not deleted as Governor Robertson recommended, again largely to emphasize the high importance Congress attaches to consultation with industry. The limitation of nine has been removed to overcome the objection that this might deny adequate representation to some specialized segment of the industry.

SECTION 6. EFFECT ON STATE LAWS

Section 6(a)—Relationship of Federal law to State law.—This section sets forth the basic policy that the Federal statute does not preempt State legislation.

The original version of S. 5 said the act did not annul State law unless the State law was "directly inconsistent." The committee bill drops the word "directly" and adds the further stipulation that inconsistent State laws are annulled "only to the extent of the inconsistency." The word "directly" was dropped because there is no apparent difference between inconsistent or directly inconsistent. The added phrase makes clear that S. 5 does not preempt an entire body of State law should an inconsistency arise in one case.

A new sentence was added at the end of the section 6(a) to make the intent of Congress clear that it does not regard the annual percentage rate as an interest rate within the meaning of the usury statutes or the judicial interpretations of the time price doctrine. This language should make it difficult for anyone to cite S. 5 as evidence in any legal proceeding challenging a credit transaction under the usury statutes or challenging the interpretation of the time price doctrine. The language was supplied by the General Counsel of the Department of Commerce who recommended such a provision in the Department's report on the bill.

Section 6(b)—Exemption when State laws are similar.—This section permits the Board to exempt creditors from the Federal law if State law requires similar disclosures.

This section is similar to the original S. 5 except that the Board can exempt creditors covered by a State law which is "substantially similar" to the Federal law. The original version of S. 5 only authorized exemptions if the State law required the "same information." Also the provision was reworded to make it clear the Board is only responsible for reviewing the law and not the effectiveness of the administration of the law. These changes are in line with Governor Robertson's suggestions.

A new provision was also added requiring the Board to make a determination that the State law has adequate provisions for enforcement.

SECTION 7. CIVIL AND CRIMINAL PENALTIES

Section 7(a)—Civil penalties.—This section sets forth civil penalties of double the finance charge with a minimum of \$100 a maximum of \$1,000. This section was amended by the committee to permit a creditor to defend against a civil action by proving the failure to disclose was an unintentional error. However, the burden of proof would be on the creditor, and he would have to establish, by a preponderance of evidence, that such error was unintentional. The amendment also permits a creditor to escape liability for an error if the creditor discovers it first and makes whatever adjustments are necessary to insure that the consumer will not pay a finance charge in excess of the amount or percentage rate actually disclosed. The committee also reduced the maximum penalty from \$2,000 to \$1,000.

Section 7(b)—Criminal penalties.—Criminal penalties of \$5,000 or 1 year imprisonment or both are specified. These are identical to the original S. 5. However, the words "willfully and knowingly" were added as a condition for giving false or inaccurate information. Also, the section now makes it clear that the Attorney General will enforce the criminal penalties section. This is in keeping with Governor Robertson's testimony that the Board did not have any trained investigators or law enforcement officials.

Section 7(c)—Exemption for governments.—This section exempts the Federal Government and State and local governments from civil and criminal liabilities. Similar provisions were contained in the original S. 5.

Section 7(d)—Exemption for overstatement.—Creditors would be relieved of any civil or criminal penalty by overstating the annual percentage rate. The original bill provided for such an exemption from civil penalties only if the overstatement was due to an "erroneous computation." There was some doubt about the meaning of this phrase. The original bill also had no such exemption under the criminal penalties section.

SECTION 8. EXCEPTIONS

Section 8(1)—Business credit.—The section contains an exemption from the act of credit for "business or commercial purposes" or to governments. The original S. 5 would have exempted credit to "business firms as such." This left an element of doubt with respect to credit granted to farmers, proprietorships, or self-employed professionals. This doubt is now clarified by the definition of credit under section 3(b) as credit for person other than an organization and "primarily for personal, family, household, or agricultural purposes." Credit for business or commercial purposes is exempted.

Section 8(2)—Stockbroker margin loans.—This section continues the original S. 5 exemption for margin loans made by stockbrokers. SEC already has the power to require such disclosure under the 1933 Securities Act.

Section 8(3)—Credit in excess of \$25,000.—This is a new provision included on the recommendation of Governor Robertson. The exemption would not apply to real estate credit transactions. The purpose is to provide an objective test between consumer credit and business credit so as not to require the creditor to inquire continuously as to the purpose of the credit. If a credit transaction is under \$25,000 and the creditor is uncertain if it is a business or consumer transaction, he will tend to assume it to be a consumer transaction to avoid violation. If it is over \$25,000 he can safely assume it to be a business transaction without worrying about violation.

Section 8(4)—First mortgages.—The committee amended the original S. 5 by exempting first mortgage credit. The committee felt that consumers were already receiving adequate information in this area.

SECTION 9. REPORTS

Section 9—Reports.—This is a new section added by the committee requiring annual reports from the Federal Reserve Board and the Attorney General on the administration of their functions. In addition, the Board would estimate the extent to which compliance was being achieved.

SECTION 10. EFFECTIVE DATE

Section 10—Effective date.—The original S. 5 would have been effective upon 6 months of enactment.

The effective date of the bill was postponed by the committee to July 1, 1969. The purpose of the change is to permit the States to amend their usury statutes in those cases where the disclosure of an annual percentage rate might possibly cause a legal problem. In addition, the later date permits the States to pass similar disclosure legislation, thereby securing an exemption from the Federal law.

Mr. BENNETT. Mr. President, as the ranking Republican member of the Committee on Banking and Currency, I am happy to join the Senator from Wisconsin [Mr. PROXMIRE], who has been managing the bill in the subcommittee and the full committee, in urging its passage by the Senate. No Member of the Senate will find greater satisfaction in the passage of the bill now before us than I will, because for me it could, hopefully, mark the end of more than 6 long years spent in search of a workable pattern of consumer credit cost disclosure.

From the beginning of the consideration of the problem by the Committee on Banking and Currency back in 1960, I have hoped for a solution that would be as fair as possible, both to the borrower or buyer and to the lender or seller. I agree with the Senator from Wisconsin that the bill is not perfect; but, in my opinion, it more nearly meets the needs both of borrowers and lenders than any other proposal that we have been able to devise. For this reason, I hope the Senate will pass the bill.

On July 17, 1961, the very first day of hearings on the first consumer credit disclosure bill, I said—and I quote from the Record of those hearings:

I feel that there should be full disclosure of the dollar costs and under some circumstances, where it is appropriate, a percentage, whether it is stated by the month or by the year, but I do not approve to trying to force all statements of the cost of credit into the straitjacket of a simple annual rate. I think that as the testimony develops before the committee we will discover that there are some types of consumer credit that cannot be forced into that straightjacket.

One of the first problems that came to my attention during those first hearings involved the application of a minimum dollar charge, which while reasonable in terms of dollars, became ridiculous when translated into an annual rate.

To illustrate the problem, let me tell the story of a man who went into a gas station one morning. His car battery was dead. He was the driver in a carpool that week. He could not wait. He had no money in his pocket, so he could not make a downpayment.

The service station operator said, "The battery costs \$20. I will make a credit charge of \$2. You pay me \$5 every payday until you pay off the amount."

Those figures are small enough so that everybody can understand them. When I tried to figure out the annual rate of interest on that simple transaction, I became involved in a process that eventually ended in some of the largest universities in the West. Every man who figured that annual rate reached a different answer. All I could finally determine was that the annual rate was somewhere between 115 and 130 percent.

The rate statement on such purchases may appear unreasonably high yet when one talks about paying \$2 for the privilege of having credit, under those circumstances, it does not seem to be too bad.

Fortunately, the bill takes care of such a case, because it exempts all installment transactions in which the charge for credit is no more than \$10. In practice, this provision would exempt purchases which could be as high as \$110, if paid off in 1 year, even at an annual rate of 18 percent, and the value of the purchase could go higher at lower percentage rates or a more rapid payoff. The committee agreed that this exemption was necessary to protect the poor because rather than to state an extremely high rate like that in the battery case, sellers would simply dry up the credit on small loans or purchases.

I soon discovered the annual rate requirement had a natural relationship to installment contracts, which required payments of equal size spaced into equal

time periods, but would not fit situations in which there were variations of either amount or time, and most particularly would not fit the so-called revolving charge accounts, whose balances could vary both up and down between payment periods.

This problem of stating costs in advance on revolving charge or open credit in advance has been the most difficult one we faced. In the first place, it is impossible to calculate the total dollar costs of revolving credit in advance, as could be done for normal installment accounts, because no one knows in advance how the customer is going to use the revolving charge, because the carrying charge is bound to be different every month; in order to be accurate, it has to be calculated after the month's record has been made; and the charge can be as low as zero. The cost of credit on such accounts is further complicated by the so-called free time which applies to every purchase, and can range between a minimum of 31 and a maximum of 59 days. In contrast, there is no free time allowed in a typical installment contract; and as though this were not enough to make the accurate prestatement with annual rate, there is still a third major factor that would have this same effect. In some revolving charge systems, the monthly charge is applied to the balance at the beginning of the period, while other sellers first subtract all credits from the beginning balance, including payments on account or returns or other allowances. Thus, depending on the system used, different dollar charges inevitably would be developed from accounts that were actually identical.

In the original bill which would have required a statement of revolving account charges as a simple annual return, it was proposed that this would be arrived at simply by multiplying the monthly return by 12. This was a very serious oversimplification, and this process always produced an overstatement of the rate which in some cases could have been as high as 40 percent. The existence and amount of the overstatement could always be demonstrated by calculating the actual finance charge developed by the account after the transactions had occurred, but it could never be calculated in advance. Thus, instead of producing trust, this oversimplification would always have given the buyer a false picture; and since it was always an overstatement, it would have been competitively damaging to the seller.

It was this head-on collision over the method of stating the cost of revolving credit which derailed the three earlier bills, and it was only this year, after the committee sought to make a workable adjustment for practical factors which I have described, that this bill could win the unanimous support of the committee.

In brief, these are the adjustments we have made:

First, the requirement that revolving dollars must be stated in advance has been dropped because, as I have said, the figure could not be calculated.

Second. The complication caused by "free time" and the unpredictable pattern of charges and credits both in time and in amount have been bypassed by

eliminating the requirement for stating an annual rate and permitting the statement of the monthly charge while at the same time requiring a showing of the basis on which the charge is calculated.

Third. Because the annual rate on revolving or open-end credit can only be figured after the transactions have occurred, and because the committee feels that customers using this type of credit are entitled to know approximately what the credit costs—and the sellers should be permitted to give this information to the customers—the bill permits, but does not require, a seller using the revolving charge system to print on his statement a figure representing the average annual effective rate based on all the transactions of the previous year. This is the average rate and, of course, does not match the experience of any single customer; but it is a pretty good measure.

Those selling on the typical installment plan are required by this bill to state an annual rate in advance, and those selling on revolving credit are not. The committee realized that there might be an attempt on the part of some to label their installment credit with the name of revolving credit in the hope of avoiding the bill's requirement. So it closed this door by setting up three conditions which are typical of installment credit, but not of revolving, and requiring that an annual rate be stated when any one of these three conditions was present. The Senator from Wisconsin [Mr. PROXMIRE] has explained them in greater detail. I shall just mention them in passing:

First. The retention of a security interest.

Second. The provision which permitted the payment in 1 year of less than 60 percent of the amount due.

Third. Provisions which permitted the buyer to skip the payment of some monthly installments by prepaying them in advance.

The fact the committee has approved this bill with a method of disclosure for open-end or revolving credit which is different from that of installment-type credit, does not, in my opinion, deprive the consumer of true information about the cost of credit or put him at the mercy of unscrupulous sellers or lenders. The often-heard charge that business as a whole in serving consumers, deliberately attempts to mislead, misinform, and give false information to customers is, of course, simply not a fact.

There will always be some who build their hope for business on the false assumption that they can fool their customers. But everyone who has had any experience in business knows that a business can grow only if its customers keep coming back. These customers are not as stupid as some of their would-be, self-appointed guardians would like to have us believe, and if they are not satisfied with either the merchandise, the credit terms or any other service, they can find plenty of other places for their patronage.

Nor do the terms of the present bill prevent a meaningful comparison of credit costs. Credit cost comparisons are necessarily and naturally made between credit sources of the same type, and

existing practices which have developed over the years have already established more or less identical disclosure methods for competitors in the same field. A man searching for mortgage credit finds all mortgage lenders quoting costs in the same way, and this is largely true of other groups, retail establishments or small loan offices. Conversely, a man who has to decide between buying an automobile or a home makes that decision for many other reasons of convenience and necessity which are far more important than the different methods of stating credit in the two fields.

No one expects to pay as low a rate on a small short-term purchase as he does on a big long-term purchase. Many retail sales are so small that the granting of credit at a rate which is no higher, for instance, than that offered on a mortgage actually results in a loss to the seller compared with the profit he could have made had he sold for cash. In fact, every impartial study of the cost of retail credit of which I know has shown that large retailers are not meeting their costs of extending credit with the charges they now make.

They absorb this loss because their competitors offer credit, and because they are convinced that by making credit available they can increase their business.

Mr. HOLLAND. Mr. President, will the Senator yield at some convenient time? I have some questions I should like to ask him.

Mr. BENNETT. I am happy to yield to the Senator from Florida.

Mr. HOLLAND. I thank the distinguished Senator for yielding.

Mr. President, of course I presume all Senators received, as I did, many complaints as to the original bill that was pending in the Senate for several sessions prior to this one. I have had very few complaints on the pending bill. I am sure the committee must have made many changes that are helpful, and that have tended to clear up the difficulties in the old bill.

I have received only one recent complaint, and it is that about which I wish to question the distinguished Senator. It has come from small merchants who do business by way of installment sales, and then have to be financed by selling that paper to small finance companies—local finance companies, I think I should say, though they are not large concerns—and from some of the small finance companies.

They say the pending bill would make it increasingly difficult for small merchants who do that type of business, and small finance companies which finance that type of business, to stay in operation, because of the fact that the large concerns which have their own finance companies are able to distribute their profits between the selling operation and the financing operation in a way which will be hurtful to the small merchant and the small finance company.

I confess that I am not fully conversant with the problem. I am sure that the Senator from Utah must have heard similar complaints, and I should like to have any comment that he cares to make on the problem. I address the same ques-

tion to the distinguished Senator from Wisconsin, because, as I have already stated, the number of complaints I have received, and the nature of those complaints, with reference to this amended, changed, or rewritten bill, whatever it is, have been so small as compared with those I received during earlier sessions that I am satisfied the bill is much nearer approval, in general, than was the case heretofore.

If the Senator from Utah cares to comment on that situation, I shall appreciate it.

Mr. BENNETT. Mr. President, I would like to make this comment: It seems to me that the problem the Senator from Florida has described existed before any truth-in-lending bill was considered. It will exist no matter what bill we pass. It grows out of the fact, which is axiomatic in our free enterprise system, that people with large distributive capacity can offer services at lower prices. The people to whom the Senator refers have been competing with that ability all along.

The pending bill will require them, if they are selling on the installment plan—and I assume they are—to translate their rates to an annual rate. It will also require the big man to translate his rate to an annual rate.

In order to help the little man, there has been written into the bill a system or an opportunity for tolerances, so that the little man—or the big one—can use a rate chart, which can be purchased cheaply and easily, to save him from the cost of having to figure the rate and the dollar cost of every single transaction. To that extent, we have been able to lighten his burden.

But, as I say, the problem of competing with the larger organizations existed before the pending legislation came out, and I do not think this bill affects it.

Several Senators addressed the Chair.

Mr. BENNETT. I yield first to the Senator from Alabama.

Mr. SPARKMAN. Mr. President, I merely wanted to add that there is another provision in the bill which is helpful to the small businessman, and that is the \$10 exemption.

Mr. BENNETT. Yes. I covered that before the Senator came in.

Mr. SPARKMAN. I was hoping the Senator would cover it in connection with the question raised by the Senator from Florida.

Mr. BENNETT. I thank the Senator. I shall do so.

The bill provides an exemption for every sale on credit where the total credit charge is less than \$10—which translates into a sale as high as \$110, to be paid for over a year. So the little man has that protection at the low end of his business.

Mr. HOLLAND. Mr. President, I thank the Senator for his statement. In order that there may be no question as to whether we are talking about the same situation, the complaints I have received—and they have been few—have come from small independent dealers, not small in the sense that they are irresponsible people at all, but they are independent dealers like furniture dealers, hardware dealers, dealers in electrical equipment, or the like, who sell on

installments, and then finance themselves by the sale of the installment paper to local finance companies.

When I say local finance companies, I am distinguishing them from the finance companies which, for instance, go along with Sears, Roebuck, or Montgomery-Ward, General Motors, or with any of the other large groups of stores or large merchants which have their own financing organizations.

I want to be very sure that I understand what this situation is, because I think the tendency in the Nation right now is too much in line with making it harder and harder for smaller business people, whether they be the merchants or the finance people, to stay in business, as compared with the very large operators.

I will appreciate anything further that the Senator has to say on this subject.

Mr. BENNETT. Perhaps the Senator from Wisconsin would like to comment on this matter.

Mr. PROXMIRE. Mr. President, I think the Senator from Utah has answered the question very well by saying that this was a problem before the pending bill and that this bill does not really affect the basic problem.

Furthermore, a similar truth-in-lending law has been in effect in Massachusetts for some months. We have had an opportunity to determine whether or not it would adversely affect small business. The testimony did not indicate that small business was inhibited in the sale of paper or in any other way by that law which is a more extensive law than the pending bill.

I think that that practical experience of several months at a time when the law would have run into its initial and main difficulties does suggest that the bill will not visit undue difficulties on small businessmen.

Mr. HOLLAND. Mr. President, if the Senator will yield for a specific question, is it the opinion of the distinguished Senator that there is nothing in the bill that will make it more difficult than it already is for small independent businesses or small financing companies to survive and profit and prosper?

Mr. PROXMIRE. There is nothing in the bill which would make it more difficult for them to survive and profit and prosper.

It is true that all businesses will have to compute the annual rate. As the Senator from Utah has pointed out, they will have tables that will make it easier for them to do it.

This is perhaps more of a burden on a small businessman than on a large established firm in some ways, but the best judgment of the committee and the unanimous judgment of the subcommittee was that this should not be a significant burden in any way.

They can survive and profit and prosper.

Mr. HOLLAND. Is it true that this particular point, the application of the law to small businesses and small financing companies, was of concern to the committee?

Mr. PROXMIRE. Yes. It gave us the deepest concern.

The Senator from Alabama is the

Senate's outstanding man in the small business field. For years he has been chairman of the Select Committee on Small Business. I have been chairman of the Subcommittee on Small Business of the Committee on Banking and Currency. We have both been deeply concerned, and other Senators have been very concerned, that we do all we could to protect and safeguard small business.

That is the reason that the \$10 provision was written in. We scrutinized every part of the bill explicitly with reference to the particular point which the Senator from Florida is so right in raising.

If the bill were badly drafted and written, it could make it difficult for small business. But we are convinced that the pending bill will not make it difficult for small business.

Mr. HOLLAND. Was it considered by the committee as to whether a limit of more than \$10 might be more helpful to the small business people and small finance companies?

Mr. PROXMIRE. Yes. There was some consideration given to that, although, frankly, the bill originally had no provision for any exemption of this kind. The Massachusetts law has no exemption. The Washington State law has no exemption. The Nova Scotia law has no such exemption.

There was some suggestion by consumer groups that we were going too far and that we should limit it to \$5.

We think we went as far as we could without weakening the bill seriously.

Mr. HOLLAND. Mr. President, I thank all three of my distinguished friends, who are all known to be friends of small business and to be anxious about the problems of small business and the continued existence and prosperity of the small businessmen.

Their answers have gone far to clear up the question for me. I thank them all.

Mr. BENNETT. Mr. President, I thank the Senator.

Banks providing loans to individuals often vary in rate charge on the basis of the borrower's credit rating, which in turn measures the degree of risk involved. Small loan companies provide funds at high rates because those with whom they deal generally have very poor credit rating and are under the necessity of making many small payments in order to repay the loan, which in turn forces up the cost of handling the account.

I have gone through this method of presenting the different types of credit to remind the Senate that credit is a variable commodity and that there are many factors involved other than the actual interest charged for the use of the money. I have done this to make the point that an attempt to force the statement of the cost of all forms of credit into a single pattern would, in my opinion, have produced more distortions than it would have eliminated.

In short, Mr. President, I felt that this bill has had to be rescued from the strait-jacket of mathematical rigidity and made practical by recognition of the need for mathematical tolerances. The original bill did not provide for any meaningful tolerances in the statement

of rate, and this would have meant that each of the many billion daily consumer credit transactions would have had to be computed separately, and such computations are not only unfeasible but an attempt to go through with them in order to comply with the bill would have greatly increased the cost of credit service in my opinion, which of course would have had to be passed on to the consumer.

Another important change made in this bill, then, has been this recognition of the necessity for tolerances. The pending bill will permit a variation of 8 percent from the true mathematical rate, both under and over that figure.

Let me make it clear what this variance means. In referring to a rate of 10 percent, I am not saying that it can vary from 18 percent up, to 2 percent down. However, I am saying that it can vary eight-tenths of 10 percent. So, it can vary down to 9.2 percent.

There is no limit on the variation that can occur above the actual mathematical figure since obviously this rate figured on that basis would be detrimental to the seller, not to the buyer. Because we have written the tolerance into the bill, it is going to be possible for the sellers to use periodical rate tables prepared and published in advance, and the seller can refer to these quickly and get a figure which he can use safely within the tolerances of the bill.

I used to say of the original bill that if it were enacted it could neither be complied with nor enforced.

Such a charge cannot be made against this bill. It is not perfect, but I think it meets the practical criterion of the greatest good for the greatest number of both consumers and creditors. I am sure it can be put into force without creating a major wrench in the economy or requiring any severe readjustment of book-keeping systems, monthly statement forms, or payment patterns. In fact, one of its greatest virtues is that it can become virtually self-enforcing, and this is backed further by a provision in the bill.

One of my objections to the original bill grew out of the fact that I felt the whole problem belonged at the State level. I am now supporting a bill at the Federal level.

One of the main features of the bill is that it contains the provisions that I am about to read. It begins by saying:

The Board—

And that word refers to the Federal Reserve Board which, under the bill, will have the responsibility of writing the regulations under which this would operate.

The provision in the bill reads:

The Board shall by regulation exempt from the requirements of this act any class of credit transactions which it determines are subject to any state law or regulation which requires disclosures substantially similar to those required by Section 4 and contains adequate provisions for enforcement.

The bill, in other words, provides that if the States enact legislation which accomplishes substantially the same purpose, and which satisfies the Board as to its efficacy, the Board can then withdraw from enforcement of this act in

that State and the State authorities can take up the enforcement of their local laws in place of the act.

We have had a group known as the National Commissioners on Uniform State Laws, appointed by State Governors. That group has been working for a number of years on this and other consumer problems.

We expect that shortly they will present us and the United States with proposed uniform State legislation. By acting now, we will be laying down some guidelines for men who are working on the proposed uniform State laws. So they can have hope that when their uniform laws have in fact been adopted, their State enforcement agencies can take over the job of enforcing legislation of this type, and that is where I believe it belongs. So I am delighted that this provision is in the bill.

This provision not only eliminates any need for a new, vast Federal establishment to police the law, but it also preserves in a unique and practical way my original position that this law should be administered at the State level rather than at the Federal level.

Finally, as is to be expected under the circumstances, this bill represents great accommodations between once antagonistic ideas. Its passage will not be a victory for anyone but a gain for everyone. It does provide meaningful and practical patterns for effective consumer credit cost disclosure, which after all should be our ultimate objective.

Therefore, as I said at the beginning of my remarks, Mr. President, I am very happy that after 6½ years of opposition to bills earlier introduced, I can join the Senator from Wisconsin and stand before my colleagues, earnestly urging the support of the committee and the passage of the bill.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. BENNETT. I yield.

Mr. JAVITS. First, I should like to say to the Senator from Utah, as a former member of the Committee on Banking and Currency, that I believe it is a great tribute to him that he is able to stand before the Senate and agree to the bill; because to me the most eloquent words in the English language that reflect the greatest character on those who utter them are "I am persuaded." I know that the Senator has had much to do with developing a bill which he could support and, without him, it could never have happened.

Although many of us felt that Paul Douglas could have done it if he had only moved an inch or two, the fact that it has been done must still be remembered as a very important tribute to his service in the Senate. Senator PROXMIRE picked up the torch for Senator Douglas, but we should not forget Senator Douglas' great role in authoring this idea.

I had a similar experience with Senator Lehman, of New York, who was a devotee of developing power at Niagara. But he never would move an inch, either, and hence it never got done until Senator Ives and I did what Senator PROXMIRE and Senator BENNETT have done in this matter.

So we should remember those who were the progenitors, like Senator Douglas,

but we should also pay great tribute to the Senator from Utah and the Senator from Wisconsin, who worked this matter out.

If I may have the attention of the chairman of the committee and the ranking minority member, the New York banks have presented two questions to me which I should like to present to both Senators, so that at least the RECORD might indicate that the questions were asked and answered; because I intend to support the bill, and I realize the interdependent character of the compromise which is involved.

The first question is this: Whether or not it would be desirable to ask the Federal Reserve Board to have the right to determine, based upon experience with the bill in the 3 years from 1969 to 1972, whether or not it should thereafter require disclosure on the dollar-per-hundred or on the percentage basis or whether to continue the alternate form even for a 3-year period beyond that, again giving the Federal Reserve Board that discretion. Was that question considered by the committee, and what do the Senator from Utah and the Senator from Wisconsin think about it?

Mr. PROXMIRE. The effective dollar-per-hundred basis would be the same thing. In other words, if it were \$18 per hundred, it would be a true 18 percent. It would not be a discount or an add-on or anything of that nature.

This question was considered, because, frankly, there was a strong feeling on the part of competent people in the banking industry that if you did not have a dollar-per-hundred option, you might have a misapplication of the State usury laws. We do everything we can in the bill to provide that the finance charge is not interest, but it could be misjudged in court. Therefore, we provided that there would be a limit on the dollar-per-hundred option until 1972, feeling that between now and then it would be possible for State legislatures to change their usury laws or, as a matter of fact, if it was embedded in their constitution, to change the usury laws by having two successive sessions of the legislatures change them.

If we find that we should continue this option beyond 1972, it seems to me that Congress has ample time to do so. But the feeling of the committee is that we should make a strong attempt to get this on a comparable basis, on a percentage basis, and not on a dollar-per-hundred basis, eventually, and 1972 would be going quite a distance into the future.

Mr. JAVITS. And the committee did not believe that discretion should be given to the Federal Reserve Board to handle it, but, rather, the committee believes that Congress itself should handle it?

Mr. PROXMIRE. That is correct. The Federal Reserve Board, which was very helpful on this bill, and was forceful and unanimous in approving the bill and saying they wanted it, indicated to us in general that they wanted as definitive a bill as possible, and at no time indicated they wanted discretion in this particular area.

Mr. JAVITS. Is it fair to say that, as a part of the legislative history, the banks

can say that there is an open mind in Congress, and that the reason the 1972 date is set—and that it might even be extended—is to see whether pragmatically this can be worked out, so that by 1972 legal inhibitions and policy inhibitions are gone, and if they are not, at least consideration can be given to continuing this practice?

Mr. PROXMIRE. Yes. But there is one delicate and difficult caveat here.

The purpose of the date was to persuade legislatures to modify their usury laws sensibly and appropriately. Obviously, if we have an open end situation or if it is clear that Congress is going to continue to extend this indefinitely, there would not be the same kind of pressure to clarify the usury statutes.

Mr. JAVITS. May I say that with the law on the books and the need for another law to undo it, I do not believe that anybody can have any illusions about the fact that it is an open-end situation. I believe it is important for those who feel strongly about the subject that inherent in passing the statute, Congress was conscious of the fact that 1972 might be an unfair limitation and that it might very well have to be extended.

Mr. PROXMIRE. That is correct.

Mr. BENNETT. I should like to comment on that aspect: 1972 is 5 years away, and this time gives ample opportunity for us to measure the speed with which the States correct the usury problem, and the committee can act again in time.

We have a very real example. We have had an experience in the State of Nebraska which shows what happens when a judge decides that a bill throws all credit transactions outside or within the usury statute, and invalidates them all. So we are very much aware of the problem.

Mr. President, I have a statement on the possible effect of the bill on usury statutes or vice versa. I ask unanimous consent that the statement be printed in the RECORD.

The PRESIDING OFFICER (Mr. HOLLINGS in the chair). Without objection, it is so ordered.

The statement ordered to be printed in the RECORD is as follows:

All but four States have usury statutes limiting the maximum rate of interest that may be charged. The following is a compilation of State usury laws and the maximum usury rates in each State:

Usury rate: 6% per year. Number of States: 10 (Delaware, Maryland, New Jersey, New York, North Carolina, Pennsylvania, Tennessee, Vermont, Virginia, West Virginia).

Usury rate: 7% per year. Number of States: 6 (Illinois, Iowa, Kentucky, Michigan, North Dakota, South Carolina).

Usury rate: 8% per year. Number of States: 12 (Alabama, Alaska, Arizona, Georgia, Idaho, Indiana, Louisiana, Minnesota, Mississippi, Missouri, Ohio, South Dakota).

Usury rate: 9% per year. Number of States: 1 (Nebraska).

Usury rate: 10% per year. Number of States: 10 (Arkansas, California, Florida, Kansas, Montana, Oklahoma, Oregon, Texas, Utah, Wyoming).

Usury rate: 12% per year. Number of States: 6 (Connecticut, Hawaii, Nevada, New Mexico, Washington, Wisconsin).

No usury law: Number of States: 4 (Colorado, Maine, Massachusetts, New Hampshire).

Usury rate: 21% per year. Number of States: 1 (Rhode Island).

In addition, the District of Columbia has a usury rate of 8% per year.

It has been common to differentiate between finance charge and interest rate. Consumer credit for small purchases cannot be granted at rates even approaching the rates provided in usury statutes of most States. Therefore, if the original bill had been accepted, nearly all consumer credit would have been made illegal, and such action would have disrupted the entire economy of the country.

Let me cite the problem that occurred in the State of Nebraska as illustrative of the importance of the differentiation of interest rate and finance charge.

Nebraska statutes regulating installment credit are classified under "Interest" in the codification of the State's laws. The Nebraska Supreme Court had affirmed the time-price doctrine in 1933 and later years. It held that a bona fide time-price sales agreement was not tainted with usury even though the time-price exceeded the cash price by a rate higher than the 9 per cent interest rate of the State usury statute. In decisions in 1956, however, the Court held that contracts to finance purchases were evasions of the usury statute when the buyer was not quoted a cash price and a time price, and given the opportunity to choose between them.

The uncertainties created by the court decisions prompted the Nebraska Legislature to write a new Installment Sales Act in 1959. It required statement of the cash price, the time price, and the differential. The legislation placed ceilings on the amount of finance charge that could be levied on retail credit sales at various rates.

The 1959 Sales Act was held unconstitutional in 1963. The Legislature in its regular session that year modified the Act and the court held that Act unconstitutional. In a special session, the Legislature passed several Acts modifying the Loan Act and the Sales Act. The two rate Acts were held unconstitutional in 1963 and 1964.

The decision that the 1959 Sales Act was unconstitutional found that contracts made under the Act were methods of financing the unpaid balance of the cash purchase price of goods, and therefore were not time-price differentials but were loans.

The Supreme Court of Nebraska concluded that the time-price differential allowed by the Act was for forbearance of money, thus was an interest charge. This made all of the contracts that had been made at rates in excess of the general usury statute of the State illegal, and an illegal contract is unenforceable. The confusion that resulted had a very disrupting effect in Nebraska, and only when a new installment sales law became effective in 1965 did the confusion cease and business continued to operate in a normal fashion.

The original disclosure bill, by declaring all finance costs as interest, would have brought about a similar result in other States throughout the country. I could not see how such a result would add to stabilization of the economy as the bill claimed or how it would be in the interest of consumers to make it impossible for legitimate lenders and merchants to provide them with credit legally. This is one of the bases on which I had to oppose the original legislation.

The bill as now drafted makes as specific as possible the distinction between interest and finance charge. It has been the attempt of the Committee to avoid any possible disruption of credit granting that could occur as the result of considering the rate required to be disclosed as an interest rate. There is an attempt to preserve present relationships with regard to the time-price doctrine.

There is still the possibility that the rate disclosed will be considered an interest rate by consumers, and that as a result, they will feel that the rate is in excess of that per-

mitted by State law and that harassment of businesses will occur. We have tried to minimize this possibility through language in the bill, and hope that the period until July 1, of 1969, before the bill becomes effective, will provide time for States to reconsider their usury statutes.

Mr. JAVITS. I thank my colleagues.

May I ask one other question of the chairman and the ranking minority member of the committee.

There is also a feeling in the New York banking community—not universal, but I believe it deserves a reply on the record—that it would be more fair and less discriminatory, and that greater comparability would be introduced into the revolving credit proposition, if the 60 percent test—that is, 60 percent repayment within 12 months—were to be amended to require annual disclosure only if less than 45 percent of the unpaid balance, on an experience basis, were paid off within 12 month period.

Mr. PROXMIRE. The committee did consider this aspect explicitly. As a matter of fact, this 45 percent amendment was offered in the full committee, and then it was offered on the 50 percent basis. So the committee went into this feature in some detail.

When one considers what we do with a 60 percent limitation, it means 60 percent should be paid off within 1 year. This means, on the average, as our staff people compute it, that the balance would be paid off within 19 months.

This is an extended period. The purpose of the limitation was to prevent installment credit, such as credit for automobiles and big appliances, from moving into revolving credit.

When we get to 45 percent, and where we have more than a 2-year period, it would open the door so wide that whereas now there are 3 percent or 4 percent excluded from the annual requirement, it is conceivable that there would be a larger element and greater injustice.

Mr. JAVITS. In any case, the committee was decidedly against it and the compromise is based on that.

Mr. PROXMIRE. The Senator is correct.

Mr. JAVITS. I thank the Senator.

Mr. BENNETT. Mr. President, if there are no further questions I would be happy to yield the floor.

The PRESIDING OFFICER. The Senator from Alabama is recognized.

SENATOR PROXMIRE'S LEADERSHIP ON TRUTH IN LENDING

Mr. SPARKMAN. Mr. President, the truth-in-lending bill has been before the Senate Banking and Currency Committee for 7 years. On June 27, the committee met and for the first time recommended by a unanimous vote that the bill be reported to the Senate.

Much of the credit for this action must go to the skillful leadership of the Senator from Wisconsin [Mr. PROXMIRE], who was the principal sponsor of this bill. Senator PROXMIRE indicated a willingness to work with members of the credit industry to be sure that the bill would be workable to the industry while still providing the essential disclosure information to the consumer.

I believe Senator PROXMIRE has performed an outstanding task in piloting

this long-delayed measure through the Committee on Banking and Currency. Although there are still elements of the bill which concern me, I believe the committee has by and large adopted a sound bill which will prove workable to the credit industry.

Mr. President, on June 30, the Wall Street Journal published an article regarding Senator PROXMIRE's activities on behalf of truth in lending and his activities as chairman of the Joint Economic Committee. I ask unanimous consent that this article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

SENATE MAVERICK: WISCONSIN'S PROXMIRE IS
ADDING SUBSTANCE TO SHOWMANSHIP

(By Norman C. Miller)

WASHINGTON.—For more than nine years William Proxmire has played a maverick's role in the Senate, and the fact that his fiery fights for hopeless causes frequently infuriated other Senators hasn't seemed to bother him.

Indeed, the Wisconsin Democrat has specialized in stinging assaults on Senatorial sacred cows—zealously attacking other lawmakers' pet public works projects, for example. Colleagues' scorn for such tactics was apparently of small importance, as long as the folks back home got the message that "Battling Bill" was tilting with the Washington establishment in the La Follette tradition Wisconsin voters admire.

Good politics, perhaps, but Sen. Proxmire paid a price for his forays. Many Senators marked him down as a mere showman, too erratic to be trusted with serious business.

But now slight, baldish Bill Proxmire is surprising his Senate critics. The seniority system put the 51-year-old Senator in a leader's role on two important committees this year, and he has already come up with significant achievements.

As the new chairman of a key Senate Banking subcommittee, Mr. Proxmire picked up the long-languishing "truth-in-lending" bill and skillfully fashioned a compromise that was approved decisively this week by the Banking Committee, which for a half-dozen years had killed all such previous measures. Insiders think that breakthrough gives truth-in-lending a momentum that will sooner or later carry it all the way through Congress. Thus, Sen. Proxmire will probably become author of a landmark law requiring lenders and retailers to give customers more accurate information on the cost of credit.

Enactment of a truth-in-lending bill would be especially satisfying to Mr. Proxmire because the fight for that legislation was long led by the man he regards as his political mentor, former Sen. Paul Douglas of Illinois. Mr. Proxmire, whose five-year-old son is named Douglas as a tribute, says Mr. Douglas is the real hero of the truth-in-lending case. Ironically, many Senators feel Mr. Douglas' inflexibility was the bill's major obstacle in previous years; Mr. Proxmire's willingness to negotiate is deemed the major reason it finally got off the ground.

The Joint Economic Committee doesn't afford Sen. Proxmire a chance to initiate legislation, but since becoming chairman he has worked to expand the panel's influence on policymaking. After wangling White House agreement to making public a mid-year budget review, the Proxmire panel this week has followed up its traditional early-year economic study with hearings aimed at compelling an Administration reassessment of controversial taxing and spending plans.

Sen. Proxmire's activist leadership has won bipartisan plaudits from joint committee members. Republican Rep. Thomas Curtis of

Missouri calls his performance "excellent." Sen. Stuart Symington (D., Mo.) terms it "superb."

A GIMMICK?

Another Senator, impressed by the maneuvering that got the truth-in-lending bill moving, believes that a taste of legislative success may quiet Sen. Proxmire's appetite for gadfly causes. "I think the maverick role was a gimmick Bill used to establish his identity in the Senate," he says. "He's done that, and maybe now he's ready to be more constructive."

A safer bet might be simply that Sen. Proxmire will continue to do the unexpected, deciding for himself when it suits his purposes to follow the accommodating course most Senators consider "constructive" and when it does not. For Mr. Proxmire is a loner by nature, driven by ambition to keep making his mark as an individual, and not even his oldest political associates claim to understand all the reasons for his electric behavior.

The son of an Illinois doctor, Mr. Proxmire was educated at an Eastern prep school, Yale and the Harvard Business School. He seemed to be embracing the conventions of his Republican upbringing when he joined J. P. Morgan & Co. on Wall Street and worked as a GOP volunteer in Wendell Willkie's unsuccessful 1940 Presidential campaign.

The war put him into the Army counter-intelligence corps, and when he was mustered out in 1946, Wall Street had lost its allure. He went back to Harvard and, while obtaining a master's degree in public administration, decided the Democratic Party was for him because "it got things done." He also became determined to run for high office.

Lacking close ties to any community, Mr. Proxmire decided to pick an entirely new base where a newcomer could establish himself quickly in politics. He decided in 1948 that an ambitious young Democrat could move fast in Wisconsin, where the party was scratching for candidates to take on the long-dominant Republicans.

Having married a Rockefeller heiress, Mr. Proxmire could make his plans without worrying about money. He landed a reporter's job on the Madison Capital Times and quickly entered Wisconsin political circles.

Typically, he didn't wait to be invited to run for office. In 1950 the newcomer challenged a veteran assemblyman in the Democratic primary, and voters in the state capital got their first look at the day-and-night door-to-door handshaking style that was to become a Proxmire campaign trademark. He upset his well-known opponent in the primary and won an assembly seat.

Mr. Proxmire had no intention of remaining a faceless member of the tiny Democratic minority in the state house. He grabbed at the chance to run for governor in 1952 when the party was casting around for someone to take on a task considered hopeless. He lost badly, but the nomination gave him his first statewide exposure, and when the election was over he kept right on running, with his eye on the next gubernatorial race two years later. Touring the state in a battered old car, he shook hands everywhere, and organized rallies to denounce the policies of President Eisenhower's Agriculture Secretary, Ezra Taft Benson.

By 1954 Mr. Proxmire was the best known Democrat in the state, and easily turned back the challenge of an old-line party leader to win the gubernatorial nomination again. This time he came close to defeating his Republican opponent, running much better than expected. By 1956, Mr. Proxmire fully expected to win.

But he lost—badly—and seemed washed up in politics at the age of 41. A three-time loser, Mr. Proxmire had also handicapped himself politically by a divorce and remarriage. As he returned to his printing business in Waterloo, Wis., it looked as if his dream of political fame had become a nightmare.

Then, in 1957, Wisconsin Sen. Joseph McCarthy died. A special election was called and, while regular Democratic leaders feuded over the choice of a candidate, Mr. Proxmire jumped unasked into the race and won the primary. Then, confounding the experts who had written him off, he swept the election.

It was the first major victory by a Wisconsin Democrat in 25 years. Party leaders buried their reservations and hailed Bill Proxmire as a hero. Moreover, a hero's welcome awaited him in Washington, for his victory retained Democratic control of the narrowly divided Senate. Majority Leader Lyndon Johnson, whose job was preserved by the victory, gave the new Senator choice assignments that would help him build a record for the regular 1958 election.

CONVENTIONAL LIBERAL—AT FIRST

Mr. Proxmire came to the Senate as a conventional liberal and immediately supported the social legislation his wing of the party was then battling to enact. Wisconsin Republicans zeroed in, totting the high cost of the measures he proposed and dubbing him "Billion-Dollar Bill." But he handily won election to a full term, leading the state's Democratic ticket to a major breakthrough.

By then Mr. Proxmire had as much security as a Wisconsin Democrat can expect, and his party colleagues anticipated that he would continue to act like an orthodox liberal. So scarcely anyone was prepared in 1959 for Sen. Proxmire's sudden denunciation of what he called Lyndon Johnson's "one-man rule" in the Senate. His slashing anti-Johnson speeches seemed foolhardy even to Democrats who shared his views.

Yet, Sen. Proxmire was not committing political suicide. He sensed that his headline-grabbing fight was well received by Wisconsin's maverick-minded voters. He had made a deliberate decision to build a record as an independent fighter, disdaining the unwritten strictures of the Senate club, and not incidentally making some spectacular publicity splashes. When John Kennedy moved into the White House, Sen. Proxmire frequently quarreled with the Administration over matters big and small despite his early record as a Kennedy supporter.

The Johnson feud has cooled, though some bitterness remains on both sides. Mr. Proxmire supports the President on such controversial topics as the Vietnam War; he recently helped engineer an endorsement of the President's war policies by a Wisconsin Democratic convention. And Mr. Johnson made truth-in-lending one of his major domestic proposals this year after Sen. Proxmire served notice he would push the legislation.

"I also thought Johnson would be fine in the Executive Branch," says Mr. Proxmire. "I just didn't like the way he ran the Senate, bossing people around like it was an Executive agency."

Mr. Proxmire's continuing campaign against wasteful Government spending began soon after his 1958 election. Such talk by a politician isn't unusual, of course, but Sen. Proxmire follows up with ballyhooed attacks on specific projects in sacred pork barrel appropriations bills, and this has made him a pariah to some influential lawmakers. More than once, some dismayed Wisconsin politicians relate, money sought for Federal facilities in the Badger State has been dropped from appropriations bills in retaliation for the losing battles Mr. Proxmire has staged against projects in other states.

Such tactics, however, have allowed Mr. Proxmire to continue supporting liberal social legislation while shoring up his position with economy-minded voters at home. "He has carved out an almost unique constituency," marvels another Wisconsin politician.

A THOUSAND HANDSHAKES AN HOUR

Probably Mr. Proxmire's greatest political strength lies in his never-ending campaigning. Even in non-election years he is back in the state about every other weekend. He says

can shake hands with a thousand voters an hour during his forays into Milwaukee shopping districts. Nor does he neglect the small towns; one politician recalls the Senator's sleeping in a barbershop when stranded overnight in a remote hamlet.

An almost fanatical physical fitness regimen helps keep Sen. Proxmire in shape for his grinding. A nonsmoker and near-teetotaler, he does 300 pushups and other exercises first thing in the morning. Then he jogs the five miles to Capitol Hill. In the evening he jogs back and roughhouses with young Douglas before sitting down to his first full meal of the day.

Admirers cite all this supercharged political and physical activity as evidence of the Senator's determination to be his own man. Detractors say he overdoes everything, failing to recognize that it's possible to accomplish things without punishing yourself. (At a party at Sen. Gaylord Nelson's home in Madison the host was being ribbed by a guest because he didn't make a fetish of fitness as his Wisconsin colleague did; thereupon, Mr. Nelson flopped to the floor and performed a series of one-arm pushups, and a chagrined Mr. Proxmire had to admit he couldn't duplicate the feat.)

More seriously, Sen. Proxmire's style of politics came close to backfiring during the 1964 election. A national magazine dubbed him one of the "five least effective Senators," and his Republican opponent aggressively exploited this charge. Mr. Proxmire ran behind Lyndon Johnson in Wisconsin, and some think he would have lost the election had it not been for the President's pulling power.

Writing a truth-in-lending law and acquiring prestige for knowledgeable direction of the Joint Economic Committee would be perfect antidotes to charges that Sen. Proxmire is ineffective, of course. Whatever turn the unpredictable Senator may take next, one thing is certain: He will be heard from.

Mr. SPARKMAN. Mr. President, I said that much of the credit was due to the Senator from Wisconsin [Mr. PROXMIRE] and it is. Equal credit must go to the Senator from Utah [Mr. BENNETT], the ranking minority member who worked so faithfully and so consistently in order to work out a good bill. The Senator from Utah was skillful in his advocacy and in his presentation.

Both the Senator from Utah [Mr. BENNETT] and the Senator from Wisconsin [Mr. PROXMIRE] realized in the beginning that if we were to get a bill which we could hope would pass the Senate and the House of Representatives it had to be based on compromise. I think all of us realize that legislation, at its best, is always a compromise, and so it is with this bill.

I believe that no other bill has been better presented than this bill from the standpoint of hearings. We heard much testimony. I know that the subcommittee took into account all of the testimony, the various views that we presented, and we worked out the best compromise that we could.

Mr. President, this bill does not suit me 100 percent. I doubt that it suits a single member of the committee 100 percent. However, I believe that everyone will join me in saying that it represents just about the best balance that we could develop. As I have said to others, it is a finely balanced bill, satisfying the overwhelming majority of all of those involved, but probably not completely satisfying anyone.

I opposed the so-called truth-in-lending bill during the 88th Congress when

it came to a vote in the full committee of the Committee on Banking and Currency because I did not believe it was workable in the way in which it was presented. I voted for this bill this year, and in fact, not one member of the full committee opposed the bill because we felt we had developed a workable bill.

I believe that one of the best statements on the bill is contained in the individual views of the Senator from Utah [Mr. BENNETT]. If I may have the permission of the Senator from Utah, I ask unanimous consent to have the individual views as presented by him and contained in the report of the committee printed in the RECORD.

Mr. BENNETT. I am very honored to have them included in the RECORD.

There being no objection, the individual views were ordered to be printed in the RECORD, as follows:

INDIVIDUAL VIEWS BY MR. BENNETT

I have given my support to this measure providing standards of disclosure for consumer credit because it is the best solution that we have been able to work out over the past 7 years.

This bill bears little resemblance to that introduced at the beginning of this session and even less resemblance to the original bill of several years ago. We have come a long way in making the bill more workable while preserving the major goal of comparability as much as possible.

I feel that the consumer credit industry, bankers, retailers, and other lenders deserve a great deal of the credit for making a workable bill possible. I believe that I am safe in saying that none of them are completely satisfied with this bill, but they have given of their time; and their suggestions based on actual practical operating experience have been invaluable to the committee.

From the very beginning, I have subscribed to the principle of full and meaningful disclosure of credit costs. I don't believe that any responsible person could favor misrepresentation or willful withholding of information which could be reasonably disclosed and which would make it possible for consumers to compare alternative sources of goods and services. This is the basis on which our market system is built and has become so successful. On the other hand, one must avoid setting up rigid requirements which cannot be complied with easily by credit grantors or the result is an increase in costs which ultimately are passed on to the consumer.

Because there are many sources of credit both from lenders and sellers and credit is granted for a variety of purposes and under varied circumstances, it is completely natural that programs for granting credit developed along different lines and that credit costs were expressed in different ways. The objective of the original "truth-in-lending" proposal was to replace the many different methods of credit cost disclosure with a uniform statement as a simple annual rate.

A careful consideration of credit plans available led to the conclusion that all cannot be forced into one pattern of a simple annual rate statement in advance of the transaction without serious inaccuracies and inequities. Attempts to bring about such a statement resulted in the 7-year stalemate during which this proposal has been pending.

The bill reported by the committee has broken the stalemate with a compromise on this basic conflict. The compromise is not completely satisfactory or equitable. It requires some changes in every present credit pattern with more serious problems for some creditors than for others. Any compromise is somewhat arbitrary and this one is no ex-

ception. It has been built, however, on all of the information that was available to the committee, and while I would have preferred a solution that would have been less restrictive, less arbitrary, and less disruptive to credit practices, this is an approach to a most difficult problem.

The bill also provides that in addition to the required disclosure information, other information may be disclosed to the consumer as long as it is accurate. To me, this is a major provision. It is important, because credit plans differ in so many respects that one set of required items cannot completely show the differences which may be very important if a consumer is truly interested in making a rational decision.

I have been very concerned over the past 7 years that Federal legislation would, by moving into a field heretofore reserved to the States, preempt State laws and thus cause State legislative and administrative bodies to give up one more of their responsibilities to a central government. I do not feel that this is desirable and therefore would have preferred a uniform solution on the State level. The drafting work that has been and is being done by the National Conference of Commissioners on Uniform State Laws continues to represent the best overall solution to proper handling of consumer credit transactions. We have attempted in this proposed Federal bill to provide guidelines which the States may follow and continue to maintain jurisdiction over consumer credit transactions. I am not completely convinced that we have solved the jurisdictional problem, but it is my firm hope that the States will continue in their efforts to improve their consumer credit legislation and thus make this Federal bill both unnecessary and inoperative.

Mr. SPARKMAN. Mr. President, the matters pertaining to the bill, I believe, have been fully covered. There are several matters I wish to mention. First of all, the bill would not go into effect until July 1, 1969. As has been pointed out in previous discussion, the National Conference of Commissioners on Uniform State Laws, which is made up of representatives of the different States of the Union, has been working long and hard attempting to get a uniform consumer credit code to be placed before the State legislatures. I feel and I believe that many members of the committee feel that they are getting very near to an agreement on such a uniform code, and that it may be presented to the various State legislatures before this bill actually becomes effective, and that it may become a uniform law by action of all of the States of the Union. Personally, I hope that will be done.

Mr. President, I wish to mention another matter. I do not know that it disturbs anyone but it was brought out in the report. We have some provisions in the bill to try to make this law fit in with existing State laws and even fit in with State laws pertaining to usury. One important part is that we provide if there is any inconsistency between this law and the State law, it does not invalidate the entire State law. We do not impose this law on the State in its entirety, but only in that instance where there is an inconsistency, and we provide for a certain amount of tolerance between the Federal and State law.

As explained in the colloquy on the floor of the Senate, initiated by the senior Senator from Florida [Mr. HOLLAND], we have tried to take care of small business and the different viewpoints as between

disclosing dollars and cents and annual percentage rates; and we tried to take care of differing views of revolving credit. I believe we have worked out the best bill that can be worked out and, as I have said, a finely balanced bill.

Mr. President, I hope the bill will be accepted without amendment because I believe it is just that finely balanced.

Mr. President, again I want to pay my respects and tribute to the able leadership given in connection with this legislation by the distinguished Senator from Wisconsin [Mr. PROXMIRE] and the distinguished Senator from Utah [Mr. BENNETT].

A year ago I believe that no one would have been willing to predict there would ever come before the Senate a truth-in-lending bill by unanimous vote. However, that is the situation today, and I hope that the Senate will confirm the action of the full Committee on Banking and Currency.

Mr. MCINTYRE. Mr. President, it is with a mixed feeling of relief and unhappiness that I wish to make a few comments on the bill now before the Senate, the truth-in-lending bill.

I say relief because this particular piece of legislation has taken up a great deal of my time and attention since I first arrived in the Senate. In practically every year since I was first elected to the Senate, the Banking and Currency Committee has agonized over the basic decisions which had to be made before this bill could be reported to the floor. Those of us who have tried to make this a workable piece of legislation have been subjected to criticism from all sides.

It is a real relief to be done with truth in lending for the time being.

I would like to point out that the full credit for making it possible for the Banking and Currency Committee to report this bill out after 7 long years goes to the bill's principal sponsor and manager, the distinguished Senator from Wisconsin. His complete grasp of all of the details of our consumer credit economy, his parliamentary skill, and his ability to negotiate, have uniquely made it possible for the Senate to be considering truth in lending today. Building upon the ideas of our former colleague, Senator Paul Douglas, Senator PROXMIRE has done what many of us had considered almost impossible. He deserves the full gratitude, not only of the consumer public, but also of the various segments of the lending industries. The Banking and Currency Committee is in his debt.

At the same time, I must admit to a feeling of unhappiness with the pending legislation. It is not all that I had hoped it could be. It is still subject to many of the objections which I have had to this type of legislation for several years.

Before the Senate votes on truth in lending, I would like to take a few minutes to set out, for the record, precisely those points of the present bill which I find myself in disagreement with. I would then like to cover a few of the improvements in the present bill which made it possible for me to vote to report it out of committee. Even as I say these words, I still have not decided whether I shall vote for passage of this bill.

The major objection which I have to truth in lending, and this objection goes right to the heart of any form of truth-in-lending legislation, is the probable adverse effect which it will have on very small, poorly capitalized, businesses in competition with larger businesses.

Truth in lending was designed to improve competition among all classes of lenders. Everybody is in favor of improving competition, of course. But it seems to me that any improvement in competition, and I refer specifically to competition in vendor credit, will place the national chain stores, the great mail order houses, and the large metropolitan retailers, in a substantially advantageous position over the small neighborhood or country store, with its limited access to credit facilities and its inability to use automated data processing techniques for its accounts receivable.

Perhaps, from the viewpoint of the consumer, such competition will continue to be desirable. But, Mr. President, we are legislating for an entire Nation, not just a nation of consumers, but a nation of shopkeepers, of small businessmen, of corner groceries and small automobile dealers. And I believe that the present bill may tend to injure these men and women.

Another objection which I have to this bill, as well as to its predecessors, goes to the appropriateness of congressional action in what has traditionally been an area subject to State regulation. Practically every State in the Union already has consumer credit legislation on the books, but in one fell swoop the Congress is preparing to enter, and practically preempt the field.

I must point out that my colleagues on the Banking and Currency Committee are aware that the primary responsibility for the administration of consumer credit legislation should lie with the States. Section 6 of the bill before us provides for those circumstances under which State law and State administration will preempt the operation of the Federal law.

I might point out that my preference for State, as opposed to Federal legislation in this area is not based upon any reliance on the old cliché of "States rights." Rather, it is based upon two practical results of the historic regulation of consumer credit by the States themselves. First, the States have already created and funded the administrative machinery needed to enforce and administer consumer credit laws. The Federal Government has no such administrative machinery, and its creation would add to the taxpayers expenses only to duplicate existing State machinery.

In addition, consumer credit legislation is intertwined with a whole network of related State legislation. The pending bill deals only with disclosure, and, although we have tried our best to foresee any conflicts with other State laws, we do not know how well we have succeeded. What, for example, will be the effect of this bill on existing State usury laws? We hope that disclosure under this bill will have no relevance to State usury laws, but only a State legislature, and

not the Congress, is competent to dovetail the two different kinds of regulation.

Yet another objection with the present bill goes to the basic compromise which made it possible for the bill to be reported out of committee, the language in section 3(h) designed to separate the sheep from the goats, or rather, to separate those creditors who must disclose in annual terms from those disclosing in monthly terms. This is a crucial difference, for almost every witness before the committee indicated that creditors disclosing in monthly terms will be given a competitive advantage over the others.

If the Congress is to permit any creditors to disclose in monthly terms, and I believe certain creditors should be so authorized, then obviously some line, some distinction between creditors will have to be drawn. In the process of drawing such a line, some people are going to be hurt. This result is inescapable. Since the definitions in section 3(h) are, in the last analysis, somewhat arbitrary, we could expect to see that, say, two similar department stores on the same block operating in essentially the same way may receive very different treatment under that section. If we have to generalize about the distinctions under 3(h), however, I think that it is unfortunate that those merchants generally able to qualify for monthly disclosure will be the large, well financed, enterprises who will be directly competing, in some product lines, with the small, poorly financed, local small business such as furniture stores, auto accessory dealers, and others who will be required to disclose in annual terms. I think that this is a truly unfortunate consequence of the present bill.

Finally, I am not entirely happy with the penalty section of the bill, section 7. Unfortunately, it will still be possible for a merchant who makes a wholly unintentional, bona fide error, to be subject to a penalty. But I must say that this section has been vastly improved over its original language.

It is only fair, after mentioning all of the reasons for my unhappiness with this bill, to point out a few of the reasons why I did vote to report it out of subcommittee and out of the full committee.

As I mentioned before, the Senator from Wisconsin has displayed great understanding of the problems which this bill will cause the credit industry. He has been willing to negotiate on the details of the bill's administration, while of course, maintaining the basic principle of full and comparable disclosure of the cost of borrowing money. Under his leadership, the Subcommittee on Financial Institutions was able to reach agreement on a bill which, while still deficient in some respects, represents the very best possible compromise which I believe the Senate can accept.

The major attraction of the present version of this bill is its recognition of the difficulty of requiring annual rate disclosure across the board for all classes of creditors. The revolving credit provisions of this bill represent a major victory for the honest, responsible retailers of our Nation, and for those of us who believe that periodic disclosure of revol-

ving credit is the most meaningful type of disclosure and the most useful to consumers. In more personal terms, the committee's decision on revolving credit is a tribute to the clear logic of the Senator from Maine [Mr. MUSKIE] who was able to convince all of us of the difficulties and the pitfalls of attempting to impose an annual rate disclosure requirement on revolving credit.

The change from a "simple annual rate" to an "annual percentage rate," while not very significant in terms of the numbers involved, is a vast improvement in terms of simplicity of administration.

The provisions for complete exemption of certain types of transaction remove a wholly unnecessary burden on large segments of the lending industry.

The complete bill, as it now stands, does, in my opinion, give the consumers of this Nation a meaningful way of comparing the entire cost of credit. It deserves the full support of consumers.

Mr. President, I have indicated that I am still uncertain about the way that I will vote on final passage of this bill. I am not at all uncertain about the way that I will vote on any substantive amendments which may be presented. I believe that this bill, as it now stands, represents the best possible compromise of which the Senate is capable. I intend to oppose any and all substantive amendments to this bill, because of my own experience that amendments to this type of legislation should be considered only in situations where we are able to check out all of the effects of proposed changes to this highly technical legislation. This subject of truth in lending is much more complex than it appears at first glance, and I hope that my colleagues will accept or reject the entire bill which has been reported out, without trying to change it here on the floor.

Mr. MONDALE. Mr. President, I wonder if I could address a few questions to the distinguished senior Senator from Wisconsin and chief author of the truth-in-lending bill.

Mr. PROXMIRE. I am happy to yield.

Mr. MONDALE. I would like to ask a few questions to straighten out my understanding of the proposal that is before us.

As I understand it, most department stores with revolving credit plans charge 1.5 percent a month.

Mr. PROXMIRE. Most do. This is not universal. As the Senator knows, in the hearings the representative of one department store testified that, instead of charging 1.5 percent a month, it was 1.5 percent for a 35-day period. But 1.5 percent a month is the usual charge.

Mr. MONDALE. At any rate, under this bill the stores would not have to translate the monthly rate of 1.5 percent into an annual rate of 18 percent unless the plan met certain conditions?

Mr. PROXMIRE. Unless the plan met certain conditions; that is correct. The conditions, we feel, would prevent the kind of situation which might have developed without these conditions.

I might point out that 4 or 5 years ago the subcommittee reported a bill to the full committee which simply exempted all revolving credit from disclosing an annual rate. That bill was killed in

full committee. So this bill is much more careful than the one reported out of subcommittee before.

Mr. MONDALE. The original measure which the Senator from Wisconsin introduced included all revolving accounts in disclosing an annual interest rate.

Mr. PROXMIRE. Yes.

Mr. MONDALE. Why should not a housewife know that her revolving credit is costing her 18 percent a year?

Mr. PROXMIRE. That is a good question. It is a question we asked again and again in the committee. I share the view of the Senator from Minnesota that a housewife should know. There were others in the committee who had a different point of view. Say that the housewife buys something on the 10th of the month and buys it on credit. In effect, at that time the store owner is giving her a loan, but she does not pay a service charge between the 10th of that month and the time the bill is sent, and, indeed from the time of the bill for another 30 days. So, in effect, she gets a free ride for that period of time. At the end of that time, if she has not paid it yet, she pays 1½ percent, for each subsequent month. Calculating the interest from the 10th of the month, when she made the purchase, it would be between 6 and 9 percent. It would be far below 18 percent.

I share the view of the Senator from Minnesota, but a majority of the committee disagreed with that view. Their view was that under the circumstances the 18 percent would be a distortion and would be inaccurate. Our view was that it could be made perfectly clear to the housewife that the 18 percent only ran when the credit charge was assessed. Only at the point did the 1½ percent become effective. Only at that point did the 18 percent become effective.

Mr. MONDALE. So, under your original bill, the consumer would be advised of the interest-free period under the revolving credit, but would be given the annual interest rate that would be applied by the store in developing its own credit charge against that revolving account?

Mr. PROXMIRE. Yes. A good case could be made that this would be unfair to the store, and some of the committee members made that case with persuasiveness—indeed, they had a majority of the committee with them, and if they made it on the floor they might convince a majority of the Senate—that it was not requiring truth in lending to say it was 18 percent when the free period during which the loan was outstanding was ignored, a free period that, with the average department store sometimes results in a charge of 8 or 9 percent—and not 18 percent.

So I think working out this compromise does not do a great deal of violence in this particular area, although I agree with the Senator from Minnesota. It would be far better to tell the housewife she is getting a free ride and at the end of the free ride she could take money out of a savings account, if she had one, or sell bonds, and use that money, instead of paying 1½ percent a month, up to 18 percent a year, to assess against a charge account.

Mr. MONDALE. What is the size of

revolving credit today in terms of billions of dollars?

Mr. PROXMIRE. The sum of revolving credit, based on the best estimates we have been able to get, is \$3.5 billion. This is only 3 percent of consumer credit, plus second mortgages, which we have included. This would include only \$3 out of every \$100 of consumer credit. So it does not represent a figure like 40 or 50 percent, but only 3 percent of consumer credit.

Mr. MONDALE. Of that \$3.5 billion, how much of that credit would be exempt from disclosure of an annual rate?

Mr. PROXMIRE. That is a good question. In answering the previous question, I might have indicated that a larger amount would be exempted than actually would be. When I say 3 percent, I am referring to revolving credit amounting to about 3 percent, but of the revolving credit most, not all, probably about 80 or 90 percent, would be excluded because of our definition.

Mr. MONDALE. So that of that credit extended, the revolving credit extension makes up about 3 percent of the credit extended, and of that amount between 80 and 90 percent would be exempted?

Mr. PROXMIRE. We did exclude first mortgages, but they are excluded because they always specify the annual rate. Therefore, if we take only consumer credit, I think it would be less than 3 percent, but in the 3-percent area.

Mr. MONDALE. How significant is this exemption in terms of future trends in the industry?

Mr. PROXMIRE. I would hope this exemption would not become very significant. Some say as much as 50 percent of consumer credit will go into revolving credit, but I think that overlooks the provisions that have gone into the act. I hope it would not be much bigger than present, but I think we should recognize that it might get larger.

Mr. MONDALE. Would it not be wiser to change the law now and eliminate this exemption, or does the Senator think it would be wiser to wait?

Mr. PROXMIRE. I should like to change the law. We tried to do that in committee, but we did not have the votes either in the subcommittee or in the full committee. We worked out what I think is a reasonable compromise.

First, only 3 percent is being excluded from annual rate disclosure, but 97 percent is covered. Second, we have written into the law safeguards to guard against the possibility that we have not opened up a large loophole. Third, if this practice does widen greatly, we can take a look at it in the future, and consider additional legislation.

So I think this was a reasonable compromise when we did not have the votes.

Mr. MONDALE. The last point, I think, is particularly impressive.

Would it not be possible to make large sales on revolving credit without disclosing the annual rate; and if so, would not that destroy true comparability?

Mr. PROXMIRE. There are two reasons why we should not have to worry about that. First, the bill requires that the creditor must not require a security interest. This means that title to the

automobile or title to the refrigerator or other product must be in the hands of the buyer to get the exclusion. The creditor cannot hold on to it until he is paid off. This, all by itself, is a real protection, because, after all, few people will sell an automobile, a refrigerator, or anything else that is very large, to any consumer who walks into his store, give him title, and then hope he will pay. So this is some protection.

There is another important provision—there are three, but I shall discuss only two, because only two are of significance. The first is the security interest, that I have just discussed. The second is that if 60 percent of the amount or more is paid in less than 1 year, then there can be exclusion from annual rate disclosure. But if less than 60 percent is paid over a period of a year, then the exclusion is lost, and it is necessary to specify the annual rate. In effect, this means that if an item is to be paid for over a period of more than 19 months—and if an automobile is paid for the way Americans buy them now, 19 months is a pretty short period; and even for the purchase of appliances it is a relatively short period—the seller would not fail to disclose his annual rate.

I might also add that our discussion so far implies that revolving credit is exempt over the whole period. If I have given that impression, it is wrong. It is still necessary with respect to revolving credit, to specify the monthly rate. As I said in my initial statement, some department stores will not do this now, but they are all going to have to do it if the bill becomes law, and they will also have to state the dollars-and-cents service charge. So the consumer will be given this information, but not the annual percentage rate, for most revolving credit.

Mr. MONDALE. The Senator mentioned cars, but what about the case of large appliances? Would it not be possible to sell furniture or color TV sets on revolving credit, over 18 months, without a security interest, and thus escape disclosing an annual rate? Should not the consumer know the annual rate of credit when he makes a \$500 purchase?

Mr. PROXMIRE. I think the provision for the security interest takes care of that pretty well. I would hope so. The seller definitely should have to specify the annual rate.

Mr. MONDALE. I commend the distinguished Senator from Wisconsin for what I regard to be a remarkable legislative accomplishment. I know that everyone here respects the magnificent leadership which Senator Douglas provided on this truth-in-lending issue over the years. I must say that the Senator from Wisconsin learned well, and has become not only a great spokesman for truth in lending, but one of the leading spokesmen for the consumer protection movement in this country.

Without his understanding and his sophisticated grasp of the practical business problems which must be dealt with in working toward this objective; without his sensitive and thoughtful handling of the measure in the committee and here on the Senate floor, we would not have come to this day, where it now appears that truth in lending, which has

long been sought as a key objective of the consumer protection movement, is at last within grasp. I think the citizens of Wisconsin are rightfully proud of the Senator, and the entire Nation is in his debt.

Mr. PROXMIRE. Mr. President, I thank the Senator from Minnesota. I say to him that there is no one whom I would rather have commend me in those terms, because the Senator from Minnesota has long been identified—when he was attorney general of the State of Minnesota and when he was on the President's Committee on Consumer Interests, and certainly ever since then—as a great champion of the consumer, and one who early recognized the great importance of protecting the consumer in our laws, and the administration of law.

Mr. MUSKIE. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. MUSKIE. I should like to take just a moment to add my statement of gratitude to the Senator from Wisconsin. He and I have been members of the committee from the moment that Senator Douglas first introduced a truth-in-lending bill several years ago. Together, we have struggled with this problem, with somewhat different points of view from time to time.

I share the view the distinguished chairman of the full committee [Mr. SPARKMAN] expressed a few minutes ago when he said that a year ago it seemed very doubtful that this bill could have progressed to the point where it appears to be at this moment. I think it is a remarkable thing that it is on the verge of passage with scarcely a dissenting voice. I believe that the change in its prospects is largely attributable to the efforts of the distinguished Senator from Wisconsin. He and I have had differences of opinion about some aspects of the bill. I am glad to see a truth-in-lending bill finally reaching the enactment stage in the Senate. I am glad to see that it has been modified in ways which, to me, are more realistic than some forms of the bill in past years may have been. But I simply cannot resist taking the opportunity to say for the RECORD, that in my judgment, the distinguished Senator from Wisconsin, building upon the great contribution of Senator Douglas, is largely responsible for bringing this bill to this point in the legislative process. I think he has reason to be proud of his work, as I am proud to have worked under him, differing as we have from time to time.

Mr. PROXMIRE. Mr. President, I say to the Senator from Maine that I have referred several times to the ability and vigor of members of the committee who disagreed with us on some of the elements of the compromise we worked out. As I think all members of the committee know, I was referring particularly to the Senator from Maine. I think he did a most workmanlike and constructive job in developing a compromise that he was able to accept and we were able to accept, and which won the unanimous support of the committee. Believe me, this was not the idea, the brainchild, or the work of the Senator from Wisconsin. It was the idea and the work of the Senator from Utah [Mr. BENNETT] and the Senator from Maine, who hammered

away, not only in working out a compromise, but in establishing a record in the questioning of witnesses during the hearings—a record that stood up very well, and was so persuasive that, although we had a lot of force on our side—everybody is for the consumer, of course—I think the Senator from Maine deserves much credit for working out a practicable and workable bill.

Mr. MUSKIE. Mr. President, the bill in its present form is a compromise. I am sure there are aspects of it, as revealed in the colloquy between the Senator from Wisconsin and the Senator from Minnesota, which they would like to see changed. There are things in it that I would like to see changed. But after 6 or 7 years of labor on this bill, I think, in all its aspects, it represents a compromise which the Senate should consider in its totality. Although I would like to see some changes made in it, which I think would improve it, I support it in its present form, because I believe it reaches the best consensus which could be developed after long, hard, and careful work by Senators over a period of several years.

Again I congratulate the Senator from Wisconsin.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield to the Senator from Delaware.

Mr. WILLIAMS of Delaware. I join in complimenting the Senator from Wisconsin and the Senator from Utah for having worked out a compromise which appears to be acceptable to most Senators.

However, on examining the bill one or two questions came to my mind.

The basic purpose of the bill, as we all understand it, is to insure to the borrower that he will be told the truth by the lender as to the rate of interest he will have to pay over the term of the borrowing. That is the basic objective of the bill, as we all admit.

However, I am somewhat puzzled or at a loss to understand why the Johnson administration, which claims to be so strong for this bill and its principle, exempted itself from the provisions of the bill.

I refer particularly to the FHA, which finances mortgages for home buyers. I have raised this point many times heretofore. They tell the home buyer that under the existing setup he will pay 6 percent interest on his mortgage when in reality, he is paying much more when the loading charges and discounts are considered.

We all know that if the home buyer is buying a home for \$10,000 he must give an \$11,000 mortgage in order to get the \$10,000 home paid for. Under the point system he actually gets only about 90 percent of the face value of the home. In other words, he has to discount his mortgage.

The net effect mathematically is that, instead of paying 6 percent for his mortgage over the 20- or 30-year period, or whatever the term of the mortgage might be, he is in reality paying 7 percent to 7.5 percent and in some instances even a higher percentage.

Would it not be wise to include that

type of mortgage in the provisions of the pending bill so that in any case where the mortgage is guaranteed by the Federal Government it would have to tell the borrower the exact rate of interest as it would be amortized over the life of the mortgage? If the Government really favors truth in lending why does it not set the example?

Mr. PROXMIRE. The Senator from Delaware makes a very good point. The bill as originally drafted included all mortgages. There were no exclusions. It included first, second, and third mortgages, or any other mortgages. However, the feeling on the part of the mortgage bankers and institutions was that they state an annual rate and that the annual rate is well known and well accepted. There is no variation from this practice in mortgages. When somebody goes to buy a house and takes a mortgage, he has the annual rate stated to him.

Because of this fact and because of the dollar financing charge—in many cases will exceed the cost of the home—and because of the fact that the average person only continues to pay for a home for 9 or 10 years and then moves into another home, the finance charge would tend to be deceptive and give him a false picture of how much he would pay. In doing this, it would tend to discourage him from buying.

It was felt that it was unnecessary to include first mortgages under the provision of the pending bill.

We do, however, include second mortgages.

I know what the Senator from Delaware is getting at, because he was most courteous. He did talk to me and to other members of the committee about what he has in mind.

We recognize that there is a real abuse of people, as the Senator implies, when they get a FHA or VA mortgage, or even a conventional mortgage. They are permitted to borrow on a point system which distorts the actual rate they pay.

The point system is most confusing and deceptive. People get a false notion of the rate. Many of them undoubtedly feel that they are paying less.

The committee recognized this. The Senator from Alabama [Mr. SPARKMAN] has been particularly active in trying to develop some way of coping with this matter and eliminating the point system because it is subject to abuse. However, our feeling is that if we did provide for ending the exemption for first mortgages on VA and FHA mortgages, we would be discriminating against those mortgages and forcing the people into the conventional mortgage area and we would thus open up a most serious problem that we are now exploring in the committee. We have not completed our hearings. We have not had any opportunity to discuss the matter in executive session.

We would be legislating on the floor in a way that might create very serious problems, and then we would be in a most unfortunate difficulty.

We would hope, therefore, that the Senator from Delaware—who has the courtesy, I am sure, of virtually every member of the committee on both sides of the aisle—would not press an amend-

ment to include any first mortgages, because if we were to agree to such an amendment, as I say, this whole carefully worked out and, as the Senator from Alabama has put it, finely balanced bill, would encounter most serious difficulty that we think would be unfortunate.

Mr. WILLIAMS of Delaware. I appreciate the position of the committee, and as the Senator mentioned, I have discussed this with them before. However, over the months I have been very much disturbed over this situation, and particularly over the complete lack of cooperation we get from the executive branch downtown in our effort to correct this inequity to the home buyer.

It could be corrected by an Executive order if they wished to do so. They may have to take the fictitious ceilings off interest that can be paid on the mortgages. The present so-called ceiling on interest is a farce. It seems to me that an administration which has been speaking so eloquently about the necessity of truth in lending—and I support that provision and I am going to support the bill—would be willing to set an example by telling these home buyers the truth as to what interest rates they are paying. The administration is not telling them the truth today, as the Senator from Wisconsin knows.

They are telling the home buyers: "Under the FHA we are guaranteeing that it will charge only 6 percent interest." In reality, every home buyer in America today is paying 7 percent to 8 percent interest on every FHA-guaranteed mortgage.

Let us have some truth in Government for a change.

The home buyer with a mortgage term of 30 or 40 years cannot refinance the mortgage at a later date should a lower rate of interest prevail. He is locked in under the point system at these 7 or 8 percent interest rates for 30 years.

What is the committee doing at the present time to deal with this problem? Is the committee trying to work out a solution with the administration? Will the administration face up to a problem, as they should have been doing years ago? Is the Congress or the committee working on a more complete answer that will correct the problem? If not, I am inclined to press for a vote here today—even though this may not be the most appropriate bill to amend.

Mr. PROXMIRE. I think there is every chance that the committee will do so. We are having intensive hearings in that area.

We have called in responsible people from both the administration and the industry to testify. There is the deepest concern.

There is not a single member of the committee, Republican or Democrat, who does not agree wholeheartedly that the point system has been abused, and that it is a deceptive practice and that we should end the practice as soon as we can.

We are working very hard on the problem.

The Senator from Delaware is making a most useful contribution to alerting the Senate and the country to the issue

by making this a part of the legislative history of the pending bill.

Mr. WILLIAMS of Delaware. As I pointed out, one of the most vicious effects of the point system is that if the credit risk defaults within 1 or 2 years the lender makes more money than he would on a good credit risk.

Mr. PROXMIRE. The Senator is exactly correct. They have an interest in defaulting.

Mr. WILLIAMS of Delaware. They do have an interest in defaulting in that the more defaults, the more money the lender makes. I have called the attention of the Senate to the situation of certain home buyers who, through unfortunate circumstances—perhaps sickness, have defaulted for 3 months, and under the provisions of the law the lender can then turn that loan over to the Government and demand full payment. Therefore he was glad to see the mortgage in default. The lender cashed in on the points discounted at once.

I have cited cases to the administration in which the lenders have refused to allow the home buyer, after he had defaulted a couple of months, any chance to make his back payments and even an advance payment. The opportunity to pay was denied because the lender wanted the mortgage to be defaulted. If the mortgage were defaulted he could cash in the face value of the mortgage.

Many of the institutions will admit that they make more money on the bad credit risks than they do on the good credit risks. They can go to bed at night and almost pray that the borrowers will default on their mortgages so that they can demand payment and make a lot of money on the Government.

This is an absurd practice which the Johnson administration set up and fostered. Yes, the administration encourages the practice whereby a lender can make more money on a bad credit risk than on a good credit risk.

It is pure hypocrisy for an administration which has made such stirring political stump speeches for truth in lending. However, the administration has exempted itself from the provisions of this bill. It gives lip service to truth in lending, but it will not tell the American people the truth about its own operations.

Mr. PROXMIRE. Mr. President, I say to the Senator from Delaware, in fairness to the administration, that the administration approved the bill as originally drafted which received all mortgages to specify the annual rate and full finance cost. We sent a copy to the appropriate administrative agencies. They were for it enthusiastically. As far as they were concerned, they would have been happy to have first mortgages included. They have made no objection to that.

It was the decision of the committee to include this exemption provision, Democrats and Republicans alike, because this particular disclosure bill was primarily in the consumer area and not in other areas. We felt that this particular disclosure bill should exempt first mortgages on the ground that the annual rate is stated.

Mr. WILLIAMS of Delaware. Do I correctly understand that the administra-

tion would like to have this amendment included in the bill? If so, we can soon settle this question.

Mr. PROXMIRE. The administration has no knowledge of this particular amendment, but the administration did take the position that the bill in its original form was fine with them. They made no effort, to my knowledge, to have first mortgages excluded.

Mr. BENNETT. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield.

Mr. BENNETT. If my memory is correct, the Federal Reserve Board recommended that first mortgages be eliminated.

Mr. PROXMIRE. I believe that is correct. The Federal Reserve Board is independent, is a creature of Congress and not of the executive branch.

Mr. BENNETT. That is correct. And it has to administer the bill.

Mr. PROXMIRE. The Senator is correct.

Mr. BENNETT. Mr. President, will the Senator yield to me?

Mr. WILLIAMS of Delaware. I yield.

Mr. BENNETT. Part of the problem in which the point system is involved grows out of the States' usury laws, because in some States with usury laws the limit is so low that nobody could borrow mortgage money during tight-money periods if it were not for the point system.

So this is another problem we must work out before we can hope to completely eliminate the need for some kind of device. To me, this indicates the inherent weakness of putting a lid or a ceiling on anything when the actual operation of the normal economic forces can go through that lid. I believe it is smarter to remove the lid than to try to use things like the point system to seem to be living under the limitation, when, as a matter of fact, you cannot live under the limitation.

Mr. WILLIAMS of Delaware. The Senator is correct.

No doubt, some State laws need to be corrected. But primarily the problem which I am discussing is a Federal problem, and it is brought about because the Federal Government insists on maintaining an artificial ceiling on the interest that will be allowed on home mortgages. As I pointed out the other day, it is still operating under the illusion that it can finance the national debt for about 4¼ percent on long-term bonds. It does not sell any long-term bonds; and if it does sell a 4¼-percent long-term Government bond today it could be bought at around 90 percent of par. In other words, with the discount they yield a little more than 5 percent interest over the life of the bond.

I realize the situation in which the committee finds itself, and I will not press this matter at this time. I withhold the amendment at this time, however, only with the assurance given that the committee is planning to act soon to correct the abuse.

I most strongly urge that the committee take some steps to correct the vicious practice of the point system on home mortgages. This practice of discounts or points is undermining the building industry and the home buyers of America.

The first step to correct this situation would be for the Federal Government to recognize that it cannot finance a first mortgage on a home today on 5¾ or 6 percent. As the Senator from Utah said, take the ceiling off and put the mortgage at par; or as the administration would say, just start telling the truth. If a home buyer must pay 6½ or 7 percent to get a mortgage today, let us recognize that fact and get the full value of the mortgage. Then if 5 years from now interest rates have dropped 2 or 3 percent, as they do in normal cycles, they can refinance their mortgages at a lower rate of interest and cash in on the lower rate in the last 20 years of the mortgage period, just as business does.

Under the present system of forcing them to take eight or 10 points off the mortgage, the home buyer is automatically locked in for the full 30 to 40 years of his mortgage at the higher interest rates.

Mr. PROXMIRE. The Senator from Utah and the Senator from Delaware have put their fingers on the crux of this matter—I did not discuss it at all—the question of the ceilings. The ceilings are a mistake, are wrong, and should be repealed. This is a disclosure bill. However, I have great sympathy for the argument that the Senator has made this afternoon; and I favor—and I believe many members of the committee would favor—eliminating these ceilings.

Mr. WILLIAMS of Delaware. Mr. President, with the assurance of the manager of the bill and of the Senator from Utah and other members of the committee that they will take action to correct this abuse I will not press this matter at this time, because I realize that this is not the most appropriate bill in which to deal with this problem. However, I believe they are related questions, and, I hope that Congress, working with the administration, can correct this problem at an early date. I believe the time is long overdue when we should begin to act.

Surely this administration, which has said so much about truth in lending, would want to be put in a position where it is telling the American people the truth when they borrow money to finance their homes through the Federal Government. Right now it is not telling them the truth.

Mr. PERCY. Mr. President, I believe that the Senate today will give overwhelming support to a dream come true of the former distinguished senior Senator from Illinois, Paul Douglas, who is the father of the truth-in-lending bill.

I have been a member of the Committee on Banking and Currency for the past 6 months, and I have witnessed the committee make this bill a reality under the able chairmanship of the Senator from Alabama [Mr. SPARKMAN], and the able leadership of the Senator from Wisconsin, [Mr. PROXMIRE], along with the able leadership of my distinguished colleague, the Senator from Utah [Mr. BENNETT], who has provided a great deal of assistance in finding a practical and reasonable basis for proceeding.

The bill before the Senate today is not a perfect bill but on balance, it provides the proper emphasis that should be

placed on a piece of legislation of this type, on supporting and protecting the consumer, because ours is a consumer economy. The committee has worked diligently to shape a truth-in-lending bill which would help consumers become more informed in their choice of credit plans.

I supported the bill in committee, and I intend to support passage of the bill in the Senate today.

However, this bill is a compromise in many respects, and it will not fulfill every expectation of former Senator Douglas. It also provides a basis for some criticism by those who still believe that the compromise has not fully taken into account their position and the problems that they face as distributors of merchandise in the marketplace.

Although the committee attempted to make the bill equitable to all sellers who are covered, some retailers find themselves at a competitive disadvantage under the committee's compromise bill.

Basically, the bill defines two separate types of credit: revolving credit, commonly used by department stores; and installment credit, typically used for the so-called big ticket purchases. Under the committee bill, sellers who use revolving credit are required to state their finance charge as a monthly percentage rate, while sellers who use installment credit are required to state their finance charge as an annual percentage rate.

The discrimination in the bill that is most apparent, however, is not that between revolving credit and installment credit. The most apparent discrimination is the discrimination within revolving credit, and I call attention to it here in the hope that some solution will ultimately be worked out, as the bill proceeds through the legislative process.

It was pointed out at the hearings that the bill defines two different types of revolving credit—revolving credit plans in which the title to the merchandise passes to the buyer at the time of the purchase, and revolving credit plans in which the seller retains title to the merchandise until the customer has made the final payment for it. The seller using a revolving plan without title retention will be permitted to disclose a monthly percentage rate, while in an identical transaction under the same repayment terms, the seller using a revolving plan with title retention will have to disclose an annual percentage rate.

This is an area in which the customer will have great difficulty trying to compare credit charges. On one side of the street, for example, a department store could state that the finance charge on a \$300 sofa would be 1½ percent per month, while across the street a furniture store selling the same \$300 sofa on the same repayment terms with the identical finance charge would have to tell the customer the finance charge would be 18 percent a year.

The two disclosure requirements result from the fact that in one case the seller retains title to the merchandise until it is paid for and in the other case he does not. This kind of discrimination is to be regretted, despite the fact that the committee worked diligently to find a way

to work out the most equitable answer to a truth-in-lending bill that is aimed at giving consumers the kind of protection that experience has found is required in our present economy. However, as I have said, despite the difficulties that I see in the bill, I certainly do recognize that in the spirit of compromise we have seen the best of leadership exercised in putting together this bill, and I do support the work of the committee and I shall support the bill today.

Mr. DODD. Mr. President, finally, after at least 7 years of frustration and disappointment, we in the Senate will have the opportunity to vote on truth-in-lending legislation.

The bill we are debating today falls far short of perfection.

Indeed, it is a compromise which does not completely satisfy those of us who have wanted lending disclosure standards for these many years.

And it does not really satisfy the opponents of truth in lending. They have fought fiercely against this legislation through many sessions of Congress and even today only support, and not too enthusiastically at that, a modest step toward the full disclosure that is needed to provide full protection to the average consumer.

American families pay about \$12.5 billion a year in interest and service charges on their consumer credit arrangements.

Surely they have a right to know in reasonably clear and simple language and figures, exactly how much in the way of interest and service charges they pay on any loan or charge agreement.

Exactly how interest is computed, what it is as an actual percentage or as a statement in terms of dollars and cents, what the service charges are—all this information vital to the consumer, should be easily available to him so that he may make a rational decision.

At the present time, there is a baffling array of financing plans, a variety which varies from State to State, from lending institution to lending institution, and from store to store.

Without making a truly herculean effort, the average person cannot shop around and compare financing arrangements to see which is best suited to his pocketbook and his particular needs.

People in general are not familiar with the details of credit charges.

The survey discussed in the committee report on S. 5 illustrates this point. The individuals contacted thought they were paying about 8 percent on their consumer debts but were actually paying 24 percent.

And it is small wonder they are confused and uninformed and in some cases misinformed, what with "monthly rates," "add on rates," additional fees, service charges, and situations where no disclosure of rates is made at all.

It is easy enough to say, and this has been a basic argument of truth-in-lending opponents, that a person who is interested enough, someone who really wants to know, can always obtain the true and actual charges on a loan or a charge arrangement.

This is true only in a very limited sense in that someone with the time, the

inclination and enough technical knowledge about consumer financing techniques can inform himself properly.

But in general, it is not true. Most people are not able to manage all of these requirements. As a result, they are at the mercy of the unscrupulous lenders and even of the honest and reputable people who work in the area of consumer finance.

To help people inform themselves, and to enable people to make a more intelligent and realistic choice among lenders, we ask only in this bill that some uniformity and coherence be put into credit information to consumers.

There is no provision in this bill which could in any way be construed as an effort to regulate interest rates or to intrude in the State's jurisdiction over this area.

We seek only to assure the performance of an elementary service, that of the accurate disclosure of charges by those who deal in the lending of money for consumer purchases.

Surely this is a reasonable step for the Senate to undertake, and I am confident that S. 5 will be approved by an overwhelming majority later this afternoon.

Regrettably, some urgent business, requiring that I leave shortly, has come up and I will have to miss the final vote. One vote, one way or another, will not matter on this issue, at this time, but I did want to say a few words because of the great interest I have had in this legislation, as a cosponsor and supporter, ever since I entered the Senate.

Were there any chance that the vote would be close, I certainly would make a point of waiting. But happily, after all these years, there does not seem to be any problem.

Mr. BREWSTER. Mr. President, I should like to associate myself with the remarks of my friend and colleague, the distinguished senior Senator from Wisconsin [Mr. PROXMIRE].

Last December, he wrote me that many people think this is the year for enactment of a truth-in-credit bill. I certainly hope this prediction proves accurate in the Senate today, for the legislation that our great former colleague, Senator Douglas, and Senator PROXMIRE, and others have worked on since the beginning of this decade is long overdue.

Along with 21 other Senators, I am a cosponsor of S. 5. I believe firmly that the passage of the bill will substantially aid the American consumer without doing the least harm to any reputable credit institution.

S. 5 is not a very complicated measure. It would not set maximum rates for credit. It would not govern terms as to downpayments and maturities. Indeed, the only aspect of consumer credit it would regulate is disclosures made before the transaction is consummated. It simply requires credit disclosures which are practicable to make.

A buyer is entitled to information on credit costs before he makes a decision on where to purchase credit. Fully disclosed cost data and the truthfully given price of credit will give American consumers the information they need to make intelligent buying decisions. Consumers need a basis for comparing credit

arrangements, and such comparisons can be made when charges are stated in terms of annual percentage rate, a figure which includes all credit costs—examination fees, insurance charges, and any other fees.

Each of us knows that installment credit has helped to raise the standard of living of the majority of Americans to a level once enjoyed only by the few. Consumer credit is essential to the growth of our economy. In the true public interest, this bill will not stifle growth, but will continue and expand it in the best traditions of our democracy—a sharing of understanding between the consumer and business community.

As the Christian Science Monitor stated some months ago:

We firmly believe that business and industry will benefit in the end from such measures. There has never been a time when an increase in public confidence in the honesty of business did not pay, and pay handsomely. In a country such as America, where there is a vast buying public, straightforward measures of dealing between buyer and seller reap a rich reward.

The bill we are considering covers all types of consumer credit, including home mortgages, consumer loans, installment purchases, and "revolving" credit. It is a thorough, comprehensive piece of legislation that does enormous credit to its principal sponsor. If it passes, we will have taken a giant step in the protection of the American consumer. Senator PROXMIRE deserves the thanks of all of us interested in consumer protection for his initiative and leadership.

Mr. President, there is a related matter I should like to mention briefly. I have just learned that the distinguished senior Senator from Washington [Mr. MAGNUSON], who is chairman of the Commerce Committee and of its Consumer Subcommittee, intends to introduce a bill that will complement the truth-in-lending bill and round out the credit disclosure picture.

This proposal is a Fair Credit Advertising Act that will require a full disclosure of credit information in all credit advertising in or affecting interstate commerce. In the words of Senator MAGNUSON:

It will enable the consumer to begin his credit shopping when he picks up his paper rather than when he arrives at the store and prepares to sign a contract.

I feel honored to have been asked to cosponsor this measure, and will certainly do so when it is introduced. I believe it goes hand in hand with truth-in-lending legislation, and deserves the support of all those interested in consumer protection.

Mr. YARBOROUGH. Mr. President, the truth-in-lending bill now before us represents a long overdue recognition by the Federal Government that it must act to insure fairness and openness in the fast-growing credit industry so vital to our economy. The complexity of the numerous credit rate schedules and financing plans forms an almost prohibitive obstacle to consumers who wish to buy on credit or borrow money intelligently. With credit buying occupying an increasingly important position in the life of American citizens and an increasingly large portion of the gross na-

tional product, we need fair standards to guide both consumers and creditors in their transactions.

S. 5, by requiring in all credit transactions the disclosure of interest rates as annual percentages of the capital, would bring clarity to the present confusion.

At the present time a credit customer might be paying a specified amount of interest per month, varying with the length of repayment period, in addition to numerous other credit charges, without realizing how high a percentage of the principal he was paying for interest. An add-on rate further confuses the unknowing customer by understating by one-half the simple interest rate. A variation in the method of stating the amount of interest can easily enhance or detract from the attractiveness of a credit plan to an average consumer unschooled in higher economics. Under the provisions of the truth-in-lending bill, instead of being faced with a combination of monthly interest rates on the total principal graduated rates of various parts of the loan, add-on rates, and unexpected service charges, the consumers in most credit dealings would be given a percent-per-year figure computed in the approved actuarial method. Using these simple figures, the consumer could then compare the interest rates of various companies and rationally chose the one with which he would do business. Credit companies would also benefit from the clarification and openness of rate disclosures by having ready access to the rates of competitors in a common form and could then adjust their rates in the resulting competitive credit market.

The lack of uniformity in State lending laws and the resulting confusion and inconvenience to potential customers must and will be adequately remedied by this bill. It is only the few unscrupulous credit companies, whose rates are intentionally ambiguous, not the majority of the credit industry, who gain from the present bewilderment of their consumers as to the amount of interest they must pay.

This bill has finally been reported from the Committee on Banking and Currency after 7 long years. It is a tribute to Senator Paul Douglas that the Senate is taking this historic action today. Senator Douglas was the father of this legislation and fought a courageous battle on its behalf. Although the bill differs in some respects from the original Douglas bill, credit is due the distinguished Senator from Wisconsin [Mr. PROXMIRE] for his successful efforts on behalf of S. 5 in this first session of the 90th Congress.

Senators Douglas and PROXMIRE, two great progressive Senators from the Midwest join the ranks of Norris and La Follette and the other Midwestern Senators in this great tradition, with their successful fight to gain for the consumers of America full and fair disclosure of the interest charges they pay for consumer credit. Although there are areas where the bill might have been stronger, this is an important day for the American consumer.

Mr. YOUNG of Ohio. Mr. President, today is a milestone for the consumers of America. After 8 years, the truth-in-

lending bill is finally before the Senate for debate and vote. This legislative proposal represents a significant advance in furthering the interests of all Americans.

The enactment of this legislative proposal will be a great victory in the battle to protect millions of Americans from unscrupulous lenders and creditors. No longer will housewives and family breadwinners be at the mercy of financial wizards who have spent long years in devising means of confusing them. With the enactment of this bill the cost of credit will be disclosed fully, simply, and clearly. Borrowers and purchasers will be informed in terms of both actual annual interest rates and in dollars and cents of how much they are paying for a loan or for credit.

This bill will strengthen the efficiency of our credit markets without restraining them. It will permit the cost of credit to be freely determined by informed borrowers and responsible lenders. It will in no way affect businessmen or lenders who are presently being entirely fair and candid with the public.

The distinguished senior Senator from Wisconsin [Mr. PROXMIRE] has performed outstanding leadership in steering this bill through the Senate Committee on Banking and Currency to the Senate floor. He deserves the appreciation of all Americans for his hard work and perseverance.

Mr. President, the enactment of the truth-in-lending bill will also be a tribute to another great American and one of the great Senators of all time, former Senator Paul Douglas, of Illinois. Eight years ago the first truth-in-lending bill was introduced in the Senate by Senator Douglas, who introduced it in every succeeding Congress up to the 90th Congress. It is largely through his efforts that the Senate is considering this bill today. It is another of his many contributions for the welfare of all Americans.

Mr. President, I am hopeful that this beneficial proposal will be passed by the Senate without delay. It is high time for it to be enacted into law and American families given the break they deserve.

Mr. COOPER. Mr. President, the Senate is considering today S. 5, which was reported unanimously by the Banking and Currency Committee on June 29. It is important to note that proposals dealing with the disclosure of the cost of credit have been considered by the committee since 1960 and in the course of that 7-year history S. 5 is the first bill to be reported favorably by the committee.

The bill would require lenders and retail creditors to disclose the full cost of credit extended to consumers. The bill also includes agricultural credit when extended to individuals. I note from the committee's report:

The basic purpose of the truth in lending bill is to provide a full disclosure of credit charges to the American consumer. The bill does not in any way regulate the credit industry nor does it prescribe ceilings on credit charges. Instead, it requires that full disclosure of credit charges be made so that the consumer can decide for himself whether the charge is reasonable.

By providing full and comparable disclosure of information, the bill will permit consumers to compare the cost of credit

among different creditors and to shop effectively for the best credit buy. The committee also believes the bill will promote the wiser use of consumer credit by consumers when they know the full cost of credit.

In the past I have been opposed to bills introduced in the 87th, 88th, and 89th Congresses which have dealt with this problem because I felt that they unduly prescribed Federal controls on business and lending institutions and would have resulted in an increase in the cost of credit to the borrower. The committee considered these proposals in extensive hearings during this period and refused to recommend these bills as presented.

I am happy to note that the bill before us today, S. 5, was unanimously reported by the committee and includes a series of committee amendments which make the bill practicable and workable from the point of view of the credit industry and very helpful to consumers by providing them with knowledge of the full cost of the credit arrangements available to them and thus making it possible for them to shop efficiently and to select the credit arrangements best suited to their needs.

I support the bill.

In conclusion, Mr. President, I believe it both appropriate and fitting at this time to take the opportunity to commend the members of the committee for their tireless efforts, hard work, and careful consideration over the years of this important and difficult subject and which have produced the bill before us today.

Mr. MOSS. Mr. President, S. 5 is one of the most important consumer credit bills ever to come before the U.S. Senate. I am proud of the fact that I was one of its sponsors in 1960 when it was first introduced by the distinguished Senator from Illinois, Paul H. Douglas, and that I have been a consistent supporter ever since. I point out that I am no "death-bed convert" to this bill, now that it appears to be on the verge of passage.

Upholding the principles of truth in lending has not always been easy. When the provisions of the first measure became known, I was almost deafened by the hue and cry which came from finance companies, from retailers who sold any kind of a product on time, and from banks. My mail was filled with anguished appeals from owners of clothing stores and from automobile dealers and others saying that the bill was not needed in Utah, that it was not workable or practical, and that if it was passed it would most certainly put them out of business.

These letters were analyzed with great care. It was clear that the measure was not needed in Utah as much as in many other States, because our State credit laws are among the best in the country. Under State laws, consumers must be fully informed on the extra cost of credit in dollars, but they are not given this figure in terms of the annual percentage rate of the finance charge. It was obvious that it would be more revealing and more fair if the costs were made clear in both ways. So I stood my ground.

I do not know how we can properly pay tribute here today to Senator Douglas for standing his ground. The pressure on him was many times greater than that

felt by any individual Member of the Senate, but he insisted that ways must be found to prevent unscrupulous lenders from hiding the price of credit and the total costs of credit, and he continued hearings to study, refine, and perfect his bill. The measure before us today is quiet testimony of his courage and strong will, and of the continuing efforts of the present sponsor, the able senior Senator from Wisconsin [Mr. PROXMIRE], who picked up where Senator Douglas left off and brought the bill to the Senate floor, for the first time since it was introduced. The consumers of America owe both Senator Douglas and Senator PROXMIRE a debt of gratitude.

The need for the truth-in-lending bill is far more irresistible now than it was 7 years ago when the bill was first proposed. Living on credit has become even more deeply an American way of life. Since 1960 total consumer credit—exclusive of mortgage debt—has risen by 69 percent. At the end of 1966, it had reached an alltime high of \$94.7 billion, or almost \$500 for every man, woman, and child in the country.

According to the survey research center of the University of Michigan, 49 percent—almost half of all American families—are making installment payments. Half of these families owe \$780 or more.

It is only right and fair that these millions of American families who buy on credit should have fully disclosed to them the cost of their credit charges, not only so that they will know how much they are paying, but so they can compare the cost of credit among different creditors and can shop effectively for the best credit buy.

It should be made very clear, however, that the truth-in-lending bill before us here today is aimed only at the unscrupulous lender. Its passage would protect not only the consumer who is uneducated in credit, but the ethical businessman who faces unfair competition on the part of those who engage in deceiving or fooling or cheating the public. It is a bill which would greatly strengthen the free competitive system.

The best analogy I can make as to what the truth-in-lending bill would do is to discuss it in terms of buying a package of meat at the meat counter in a chainstore. The meat package bears a label telling the shopper what kind of meat it is, how much it costs per pound, how many pounds and ounces there are, and the total price. Some of the packages go even further and advise on how to cook the meat.

But the Truth-in-Lending Act will not require the lender to tell the consumer how to use the credit from any particular source. It would require only that the consumer be told the price, the annual rate for the use of the creditor's money, how long the credit will be available, and what the total charge will be.

That sort of statement can be made by a bank or a finance company without any difficulties in computation. But there may be other difficulties. It may be a little hard for a creditor to give this statement to his customer, if he has been telling the customer that the rate is 1½ percent and it turns out to be 18 percent per annum on the outstanding

credit balance. It may be difficult if he has to tell the customer that the \$44 per month payments, which have been the sole information in his advertising, are going to run on for 3 years, that they will result in charges for credit of several hundred dollars and that the annual rate of charge—which is interest to the debtor—is 21 percent.

The truth may be hard to tell for lenders who have always dodged the problem of disclosing full details about prices and cost of credit. It will be hard, not because of any mathematical problem, but because past deceptions have left consumers unprepared for the truth.

Some of the people who have come to Congress to testify against truth in lending have shown no interest in discussing the bill on its merits, but have attempted to sidetrack it by persuading Congress that there are insurmountable mathematical problems in finding the annual rate of charge for credit. This is not true. The only mathematical problems are for the consumer.

The consumer faces about the same problems he would be up against if he went to the meat counter and found a package of meat labeled only with the cost—only with what he had to pay for it to get it out of the door—wrapped in paper so he could not see it, and there were no scales in the store to weigh it. The buyer would have a hard time under these circumstances figuring out whether the meat was a good buy or not.

Yet some credit retailers and lenders often give the consumer a deal like this, and assure him this is standard practice of the trade, and the buyer must just accept the deal. The buyer has neither the facts nor the yardstick for comparing one deal with another. Oftentimes his borrowing adds 10 or 15 or 20 or even 30 percent or more to the cost of major purchases. In fact, over a consumer's lifetime, use of high-cost credit cuts down by a substantial amount the things he can buy and pay for.

The Truth-in-Lending Act is, however, really a minimal sort of act. It does not tell any borrower when he can or cannot borrow, it does not tell finance companies, banks, or retailers, what rates they can or must charge. It leaves the people free to find the most efficient and accommodating lenders. It leaves lenders free to advertise their rates, and to comment on rates offered by other lenders.

The act would give the household which is considering borrowing or buying on credit the same advantage it had in going to the meat counter; the prices and total charges are there to see, and the family can buy or go somewhere else or save its money.

Mr. President, as a matter of fair play to the consumer, the cost of credit should be disclosed fully, simply, and clearly. I ask that the bill before the Senate, S. 5, be passed.

Mr. GRUENING. Mr. President, the proposed Truth-in-Lending Act, S. 5, which we are considering today presents a challenge to the States. Hopefully they will be vigilant and make certain that truth in lending is real—not fiction.

The bill reported by the Committee on

Banking and Currency is not as definitive as I had hoped it would be considering the size of national consumer credit, whose total amount had climbed to \$92.5 billion in March 1967 as against \$5.6 billion at the end of 1945. As the committee report states:

Currently, American families are paying approximately \$12.5 billion a year in interest and service charges for consumer credit.

The amount, notes the report, is about as great as the Federal Government pays itself for interest on the national debt. Obviously we are not legislating pennies.

As reported, S. 5 will give us a starting point from which to work. It would make possible the exemption from compliance with the Federal law creditors in States which enact "substantially similar legislation." The committee hopes this will provide the incentive necessary to the States to "act favorably upon the proposed consumer credit code" because "in this respect the committee believes the Federal truth-in-lending law and the proposed consumer credit code are supplementary rather than competing alternatives."

Obviously it is desirable to have the individual States protect the interest of their consumers. The committee report says the committee is "hopeful that with the passage of a Federal truth-in-lending law the States will be prompted to pass substantially similar legislation so that after a period of years the need for any Federal legislation will have been reduced to a minimum." But such responsibility is enormous, and the incentive may have to be enlarged if the State governments are to know what consumers seek.

The bill, as reported, contains potential loopholes which will have to be watched. For example, should a consumer have to pay a finance charge which was not properly disclosed as required by law? I predict that this section of the bill will cause future headaches. I hope the people will let their elected representatives know when these headaches occur.

Section 8 of S. 5 lists exceptions to the provisions which the committee recommended. One such exemption applies to credit transactions exceeding \$25,000. The committee felt that the amount is "considerably above" the average consumer credit transaction and "that the protection afforded by the disclosure requirements would no longer be necessary." The unanswered question here, of course, is "What is the extent of increasing consumer income and purchasing power?"

The bill exempts real estate first mortgage credit because the committee felt that adequate disclosure was already being made in this area of credit. Second or third mortgages will still be subject to the disclosure provisions of S. 5. One may be concerned with what appears to be a blanket observation. While the committee may assume complete consumer knowledge so far as first mortgage credit is concerned, it is by no means certain that all persons have a complete knowledge of the intricacies of finance. This section may have to be strengthened.

Revolving credit charges have caused

many headaches, and yet the committee did not require all revolving credit plans to disclose the annual percentage rate at the time the account was opened and on the periodic monthly statements.

We pass no perfect legislation. That we today are considering truth-in-lending legislation is a tribute to our former colleague Paul Douglas and to the Senator from Wisconsin [Mr. PROXMIRE], who also saw the desirability in enacting truth-in-lending legislation. Experience should demonstrate to what extent S. 5 protects the consumer.

As a cosponsor of S. 5 as originally introduced, I am pleased that after 7 years of hearings and consideration the Senate has had the opportunity to vote on this legislation.

Buy now, pay later is a phrase fraught with joy and all too often subsequent unhappiness. Young married couples, their parents and grandparents, all citizens, deserve to know the truth. It may, in the classic phrase, "make them free" from unbearable debt. Let us trust we have started down that road.

Mr. President, I ask unanimous consent that the full text of my April 21, 1967, statement before the Banking and Currency Committee appear at the conclusion of my remarks.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF ERNEST GRUENING, U.S. SENATOR FROM THE STATE OF ALASKA, AT THE SENATE BANKING AND CURRENCY TRUTH IN LENDING HEARING, APRIL 21, 1967

Mr. Chairman: "Buy now and pay later" has become a part of our way of life. I believe it will continue to be. So, as we seek to stabilize our economy, let us recognize the facts and make certain that any evils in installment buying are corrected.

"Buy now and pay later" living particularly involves younger Americans. Young couples, aglow in their new-found wedded bliss, happy, hopeful, optimistic, no longer wait to buy homes, washing machines, dishwashers, and television sets. Nor need they. These are desirable accoutrements in the 20th century.

However, in a "Buy now and pay later" world all is not paradise. A young couple inundated by credit payments may suddenly be overwhelmed and their marriage may flounder or, worse, be washed away on a tidal wave of unpaid balances.

I venture to suggest that the continued failure of the Congress to enact the truth in lending act proposed in S. 5 could break up many young marriages. Certainly, gentlemen, we do not wish to be branded as home-wreckers.

We do need to correct unnecessary consumer abuses which exist in the field of consumer credit.

Installment buying has become the merchandising of indebtedness. Yet, it need not be so.

President Kennedy supported truth in lending; President Johnson supports truth in lending.

The pioneering work in this field by former Senator Paul Douglas taught many of us the importance and value of persistence in just causes.

Members of this committee know better than most that the general purpose of S. 5, "To let consumers know both in dollars and in terms of annual interest rate the cost of credit and comparable interest rates," is practical and possible.

The 90th Congress can brighten its image immeasurably in the eyes of the American consumer by enacting the truth-in-lending bill.

S. 5 proposes long overdue needed reform. I have letters in my files dating back to 1960 from residents of Alaska in support of truth in lending. In one, the Reverend Richard T. Stussl, of Juneau wrote:

"It seems to me that a law is needed to enable borrowers to compare costs between competing sellers and lenders. Installment buying has become a regular part of consumer purchases and there is a need for honest labeling in this area. There is too much room for excessive charges and outright gouging under the general term 'carrying charges.'"

The Reverend Stussl wrote that letter in 1960.

Not much has happened in this field since he expressed his opinion, and it is difficult to understand why truth in lending is not a public law.

I have always supported the proposed legislation. Its purpose is modest. It merely requires a statement of facts so the installment buyer can know what he is up against.

Mr. Chairman, in closing I would like to place in the hearing record on S. 5 some case studies in credit prepared at my request by the Legislative Reference Service of the Library of Congress. One demonstrates conclusively that the purchase of a \$21,000 home with a minimum down payment and without allowance for closing costs will cost the buyer a total of \$23,993 in interest.

The other examples show what can be purchased with larger down payments or with refinancing with a second mortgage.

I also asked Mr. John C. Jackson, the Library specialist in fiscal and financial economics, to explore credit rates in furnishing a house, buying an automobile, paying for medical care, and in refinancing, and he has supplied several illuminating examples.

I should also like to place in the hearing record an article entitled "Financial Ten Commandments for Young Married Couples," by Dr. Milton Huber, associate professor at the University of Wisconsin's Center for Consumer Affairs in Milwaukee, Wis. You may know Dr. Huber, Mr. Chairman I might point out that the commandments apply equally to older citizens as well as to the young.

THE LIBRARY OF CONGRESS,
LEGISLATIVE REFERENCE SERVICE,
Washington, D.C., April 18, 1967.

To: The Honorable Ernest Gruening.

From: Economic Division.

Subject: The lure of "easy" credit as a road to financial disaster: an illustrative case.

A couple with \$14,000 gross income—\$8,000 received by husband; \$6,000 by wife.

1. (a) Buy a house with minimum down-payment and without preparation for closing costs:

\$21,000 house, 10 percent down, 30 years at 6½ percent, \$1000 closing costs:	
Monthly principal and interest	\$116.37
Total payments on mortgage	41,893.00
Interest cost	23,993.00

House cost:

Down	2,100.00
Closing	1,000.00
Payments	41,893.00

Total 44,993.00

(b) Alternative:

Buy house 2 years later with no closing costs, 50 percent down, 20 years @ 6 percent:	
Monthly principal and interest	\$75.22
Total payments on mortgage	18,052.80
Interest cost	7,553.00

House cost:

Down	10,500.00
Payments	18,053.00

Total 28,553.00

2. (a) Borrow half of the down payment in the family, borrowing closing costs same way, refinance with second mortgage at 18 percent on first \$1,000, 12 percent on second \$1,000:

5 years:

Payment per month (about)	\$48
Total cost	2,858
Interest (over 5 years)	858

(b) Alternative: No second mortgage.

3. (a) Furnish house immediately:

After downpayment, if any	\$1,800
Furniture and TV bought at several stores, carrying charges \$10 per \$100 of original balance, 3 years monthly payments	65
Interest cost	540

Total cost 2,340
(Simple annual rate 18 percent.)

(b) Alternative:

\$1,800

Buy at least half for cash, few pieces at a time Finance remainder at a credit union, 12 percent per annum, 2 year term:

Monthly cost over 3 years:	
\$25 cash plus \$28 on borrowed money	53
Interest cost	112

Total cost 1,912

4. (a) Buy an automobile on minimum terms:

Auto \$2,200, \$200 down, 30 months, \$12 per \$100 original balance per year:

Financed	\$2,000.00
Monthly payments	86.67
Total payments	2,600.00
Interest cost, 30 months	600.00

Cost of auto:

Down	200.00
Interest	600.00
Principal	2,000.00

Total 2,800.00
(Simple annual rate 21 percent.)

(b) Alternative:

Postpone purchase 1 year or more to accumulate 40 percent down, and purchase smaller new car—\$1,800 less, \$720 down. Finance \$1,080 at bank, \$5 per \$100 per year, 2 years:

Monthly payments	\$49
Total payments	1,188
Interest cost, 24 months	108

Cost of auto:

Down	720
Interest	108
Principal	1,080

Total 1,908
(Simple annual rate 9.3 percent.)

(5). (a) Charge current purchases and pay out on revolving credit, maintaining \$500 balance:

Monthly payments	\$50.00
Charge for credit	7.50

Total 57.50

Payments in year	600.00
Charge for credit, 1 year	90.00

Total 690.00
Interest cost on revolving account \$90
(simple annual rate 18 percent.)

(b) Alternative: Reduce amount of purchases and pay cash and obtain cash discount prices.

6. (a) Neglect to carry health insurance:		
Cost of child—doctor and hospital—	\$650	
(b) Hospitalization insurance (2 years) —————	480	
And physician's fee —————	240	
Total —————	720	

7. (a) Borrow from several finance companies to meet medical expenses, and to consolidate debts, \$1,500 in 5 loans at 3½ percent per month.

36 months with refinancing:

Monthly payments of principal—	\$41.66
Interest diminishes monthly, averages —————	27.00

Average payment —————	68.96
First month's payment —————	91.16
If paid to maturity, interest cost at 3½ percent per month (3 years) —	971.00
(Simple annual rate 42 percent.)	

(b) Alternatives:

Borrow from bank at 7 percent discount per year for 2 years:

Note —————	\$1,744
Interest (2 years) —————	244
Monthly payment, level payment each month —————	72.67
(Simple annual rate 14.9 percent.)	

8. Consolidate debts at debt pooler or Budget Adviser. Add at least 12½ percent to amount of debt; increase payments on debts accordingly.

Add costs 1-7 are for various periods of time, and total would not be appropriate.

JOHN C. JACKSON,
Specialist in Fiscal
and Financial Economics.

[An article from Everybody's Money,
1967 spring issue]

FINANCIAL 10 COMMANDMENTS FOR YOUNG MARRIED COUPLES

(By Dr. Milton Huber)

Early marriages are on the increase again as young couples grasp for a moment of bliss now in the midst of a world of uncertainty.

More young people and more early marriages spell more broken marriages. Among teenage couples, for example, half of the marriages end in divorce or separation. High on the list of explanations for the failure of these young marriages is the immature use of money.

Young married couples, and those soon to be, might avoid the financial pitfalls of marriage by profiting from the experience of one hundred married couples whose homes were so threatened by the misuse of money early in their marriages that they had to seek professional counsel. In the words of a historian, the fool learns from personal experience; the wise man learns from the experience of others. The troubled couples with severe money problems were interviewed in Detroit. Among the questions directed to them were some inquiring into how they had gotten into trouble.

More impressive than any statistical summation of their answers is this sampling of their comments:

"You have a job and you buy. Then no job for a while and creditors get on you 'cause you want to keep the things you bought."

"It's so easy to borrow money, which is a great inducement to debt. Stay away from small loan companies. The way they appeal to families—just keep sending you letters encouraging you to borrow."

"We would have done all right if he hadn't lost his job for a spell."

"I should have confided in my wife more."

"Don't have kids right away."

"Plan on the unexpected. We didn't plan on sickness or a short week."

"I always thought we would pay but something happened."

"We didn't have emergency money and had to borrow. Set savings aside for emergencies."

Out of the hundreds of hours spent in interviewing these over-indebted couples, this Financial "Ten Commandments" for Young Married Couples evolved. The ten points summarize their advice to others on how to avoid the money problems that almost wrecked their marriages. Post them on the kitchen bulletin board next to the weekly shopping list for periodic consultation:

I

You shall have no more children than your income will permit to maintain the standard of living you desire for them. Do not forget that the older children become, the more expensive they are to raise. Financial planning and family planning must complement one another.

II

You shall not make the mistake of starting your marriage by purchasing all the modern conveniences and comforts that your parents have taken a lifetime to afford and accumulate. Ignore this commandment and you shall be bowed down with debts when the first child comes and the income from the wife's job is no more. Build your budget basically around the income of the husband.

III

You shall not take for granted that your mate has the same ideas about spending money that you have. Many good family names are taken in vain by creditors because couples have not worked out a spending plan together and assigned the responsibilities for shopping, purchasing, and meeting one's obligations to one or the other.

IV

Remember to save for the day the unexpected happens. Plan for the medical emergency, the short week, or the breakdown of the car. Set aside in savings, from the top of the paycheck, the equivalent of income from six months of your labor to care for emergencies.

V

Honor your credit rating. Pay your debts on time so that instalment credit at reasonable rates will always be available when you need it. Beware of merchants who advertise "easy credit" but specialize in harsh and expensive repayment contracts.

VI

You shall not kill your chances of enjoying the good life by buying impulsively. Especially beware of door-to-door salesmen and the lure of "something for nothing," however disguised. Do your shopping in showrooms, not your living room. Compare merchandise and prices as carefully for large appliances and furniture as you do for food and clothing. Not to do so is to be penny wise and dollar foolish.

VII

You shall not commit yourself to any installment contract without reading it completely. Be sure that all blanks have been filled in and that all verbal agreements have been put in writing.

VIII

You should not cheat yourself by securing new loans at high interest to pay off old due bills, charging little or no interest. This is an expensive way of buying time, not a way of paying bills. The continued consolidation of your debts can lead to the gradual disintegration of your marriage.

VIX

You shall not bear the responsibility of purchasing a car or major appliance on the instalment plan without inquiring into the true annual rate of interest, dollar charges, and other special fees. Interest rates vary considerably. Shop for your credit as well as your merchandise.

X

You shall not covet a house of your own if you move frequently. Financing, selling, and closing costs increase the cost of home ownership prohibitively for families which move every few years. Neither shall you compare the costs of renting versus buying without including all of the costs of home ownership besides monthly mortgage payments: depreciation, taxes, hazard insurance, mortgage life insurance, closing costs, upkeep and repair, and income from interest lost on savings used as a down payment on a house.

Honor these commandments and your marriage can be harmonious, even prosperous, whatever your income.

The author is an associate professor at the University of Wisconsin's Center for Consumer Affairs in Milwaukee, Wisconsin. His Financial "Ten Commandments" emerged from a study in depth of over-indebted families. Dr. Huber was formerly director of public relations for the Michigan Credit Union League. He received his Ph.D. degree in social ethics from Boston University.

Mr. SPONG. Mr. President, today the Senate is considering the Truth-in-Lending Act of 1967. The history of this legislation is long and fraught with controversy. For over 7 years various versions of this bill have been before the Banking and Currency Committee. It is a tribute to the hard work, persistence, and sagacity of the distinguished senior Senator from Wisconsin [Mr. PROXMIRE] that truth in lending is now before the Senate. As chairman of the Financial Institutions Subcommittee of the Banking and Currency Committee, Senator PROXMIRE this year offered a new approach to the major area of contention, revolving credit and guided the bill through various changes to a unanimous endorsement by the subcommittee.

The distinguished chairman of the committee [Mr. SPARKMAN] also has played an important part in the development of the final version of this legislation and in its being reported by the full committee. As a junior member of the Senate Committee on Banking and Currency I have been deeply impressed by the wise and firm leadership of the chairman, and his part in the development and passage of this legislation has been vital.

The Truth-in-Lending Act of 1967 provides for the full disclosure of the costs of consumer credit. It is only a disclosure bill and in no way regulates or limits charges for credit. The bill provides that the cost of consumer credit, except for certain classes of revolving credit, be expressed in dollars and cents and as an annual percentage rate.

The Truth-in-Lending Act of 1967 is a compromise. It is not a perfect bill, but I believe that it is a workable bill. By providing for disclosure of the cost of credit it will provide consumers a yardstick by which they can compare the full cost of the various types of consumer credit. With this knowledge the consumer can shop for the best buy in credit and protect himself from paying excessive charges for credit. It will also benefit the honest and fair lender in his competition with those who use deceptive practices to charge excessively for credit.

The bill is drafted to encourage State action in enacting legislation in this field, and I am hopeful that the States will take advantage of these provisions.

Consumer debt has grown dramatically in the last two and a half decades and it promises to grow even larger in the future. I believe that requiring the disclosure of the cost of consumer credit will benefit the borrower, the honest lender, and the economy as a whole.

For these reasons I supported the Truth-in-Lending Act of 1967 in the Banking and Currency Committee and I intend to continue that support when we vote on this legislation today.

TRUTH IN LENDING—A TRIUMPH FOR
THE AMERICAN PEOPLE

Mr. MORSE. Mr. President, the day the truth-in-lending bill becomes the law of the land will be a banner date for consumers across this country and in my State of Oregon.

Many people have contributed to this legislation since it was first introduced in the Senate on January 7, 1960. It was the great Senator from Illinois—Mr. Douglas—who brought this matter to the attention of the public and pioneered its consideration here in the Senate. I am proud to say that I was one of the original cosponsors of S. 2755 of the 86th Congress, and have worked consistently for the passage of that bill and its successors.

In my judgment the Banking and Currency Committee should be commended for its exacting consideration of this measure, and for its fairness to all of the interests which are involved.

This legislation, S. 5 of this 90th Congress, is a victory for the consumer. It provides for all lending institutions—the banks, small loan companies, credit unions, retail stores, savings and loan associations, and all other creditors—to disclose their interest rates on most credit sales fully and in a uniform way. The rates of interest must be stated as a percentage of simple interest, on a yearly basis, on the declining balance of the loan. Charges, fees, and insurance must be included in the interest rate calculation. A buyer will thus be able to compare the cost of credit among different lenders the way he or she shops for other items which he or she buys, and can know the full cost of the merchandise. In this way families can manage their credit intelligently, in the best way for their individual households.

As the citizens of Oregon know, personal bankruptcies are at an alltime high. This has been a special problem in our part of the country. It seems to me that the additional information resulting from truth in lending should thus have beneficial effects to both buyers and to the businesses which must be their creditors.

It has been my feeling that making such legislation is among the highest functions of the Congress. The credit industry is a technical field. Practices have grown up in various segments, the vast majority of which are entirely legitimate and adapted to the particular commercial conditions. However, the variety of ways in which they are presented to a buyer gave a picture of confusion to the average person searching for credit.

And, it is the average consumer who is most in need of credit. Between 1945 and 1967, consumer credit grew from \$5½ billion to \$92½ billion, or 17 fold.

American families are paying \$12.5 billion a year in interest and service charges for this credit, which is almost as much as the Federal Government itself pays on the national debt. However, a recent survey of 800 families found that the average estimate of finance charges on debts by the public was 8.3 percent, while the actual interest rate paid was 24 percent, or nearly three times higher.

The development of our credit system has thus enabled American industry and business to increase their sales at a rate 4½ times greater than the growth of our economy as a whole. It has also enabled young families to furnish their homes, acquire cars for transportation to their jobs, and purchase the thousands and one necessities and conveniences of life. These purchases generally come during the time of life when they are most needed and can be enjoyed for a longer number of years. Our credit system is one of the foundations of not only the overall economy, but each one of our home economies.

At the same time, a truth-in-lending bill was required to protect, and did in large measure protect, the credit industry and the 5 million small and large American businesses which live by extending credit. In revolving credit, which is now at the level of \$3.5 billion, and growing rapidly, there is an exemption for all accounts which make more than 60 percent of the balance payable in 1 year. Therefore, the ordinary short term retail credit accounts are largely outside the scope of the act. Other exemptions are the whole first mortgage area, business and commercial credit, and securities loans.

Only the Congress is in a position to resolve the many complex interests in this field, and this has been done by the Senate Committee on Banking and Currency in this workmanlike and balanced legislation. I shall be pleased to vote in favor of its enactment.

Mr. PROXMIRE. Mr. President, I send to the desk a technical amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

On page 26, line 4, strike out the word "may" and insert "shall."

On page 26, line 5, insert after the second occurrence of the word "any" the words "Federal or."

Mr. PROXMIRE. Mr. President, this is a technical amendment to correct a typographical mistake in the bill, and it has been cleared by both sides.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wisconsin [Mr. PROXMIRE].

The amendment was agreed to.

The PRESIDING OFFICER. The committee amendment is open to further amendment. If there be no further amendment to be proposed, the question is on agreeing to the committee amendment in the nature of a substitute, as amended.

The committee amendment in the nature of a substitute, as amended, was agreed to.

The PRESIDING OFFICER. The ques-

tion is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, and was read the third time.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the Secretary of the Senate be authorized and directed in the engrossment of the bill to make all necessary technical and clerical changes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PROXMIRE. Mr. President, I request the yeas and nays on the passage of the bill.

The yeas and nays were ordered.

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill having been read the third time, the question is, Shall it pass?

On this question the yeas and nays have been ordered; and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Connecticut [Mr. DODD], the Senator from Louisiana [Mr. LONG], the Senator from Montana [Mr. METCALF], and the Senator from Georgia [Mr. RUSSELL] are necessarily absent.

I also announce that the Senator from Ohio [Mr. LAUSCHE] is absent because of the death of his brother William.

I further announce that the Senator from North Dakota [Mr. BURDICK] and the Senator from Tennessee [Mr. GORE] are absent on official business.

I further announce that, if present and voting, the Senator from New Mexico [Mr. ANDERSON], the Senator from North Dakota [Mr. BURDICK], the Senator from Connecticut [Mr. DODD], the Senator from Tennessee [Mr. GORE], the Senator from Ohio [Mr. LAUSCHE], the Senator from Louisiana [Mr. LONG], the Senator from Montana [Mr. METCALF], and the Senator from Georgia [Mr. RUSSELL] would each vote "yea."

The result was announced—yeas 92, nays 0, as follows:

[No. 180 Leg.]

YEAS—92

Aiken	Curtis	Holland
Allott	Dirksen	Hollings
Baker	Dominick	Hruska
Bartlett	Eastland	Inouye
Bayh	Ellender	Jackson
Bennett	Ervin	Javits
Bible	Fannin	Jordan, N.C.
Boggs	Fong	Jordan, Idaho
Brewster	Fulbright	Kennedy, Mass.
Brooke	Griffin	Kennedy, N.Y.
Byrd, Va.	Gruening	Kuchel
Byrd, W. Va.	Hansen	Long, Mo.
Cannon	Harris	Magnuson
Carlson	Hart	Mansfield
Case	Hartke	McCarthy
Church	Hatfield	McClellan
Clark	Hayden	McGee
Cooper	Hickenlooper	McGovern
Cotton	Hill	McIntyre

Miller	Pearson	Stennis
Mondale	Pell	Symington
Monroney	Percy	Talmadge
Montoya	Prouty	Thurmond
Morse	Proxmire	Tower
Morton	Randolph	Tydings
Moss	Ribicoff	Williams, N.J.
Mundt	Scott	Williams, Del.
Murphy	Smathers	Yarborough
Muskie	Smith	Young, N. Dak.
Nelson	Sparkman	Young, Ohio
Pastore	Spong	

NAYS—0

NOT VOTING—8

Anderson	Gore	Metcalf
Burdick	Lausche	Russell
Dodd	Long, La.	

So the bill (S. 5) was passed.

Mr. PROXMIRE. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. ALLOTT. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. PROXMIRE. Mr. President, I have one further brief statement.

The passage of this bill by unanimous vote of the Senate was, I believe, in very large part due to the work of two remarkably able staff members—one, Ken McLean, as able, conscientious, and effective a staff member as the Senate has; he did a consistently brilliant, and I mean brilliant job. The other, John Evans, who did a splendid job working for the minority.

Mr. MANSFIELD. Mr. President, efforts to enact a credit disclosure measure have persisted now for nearly 7 years. Long pursued by Senator Paul Douglas, the passage of the Truth in Lending Act of 1967 today is certainly marked with the indelible stamp of his tireless devotion, his abiding interest.

Taking up the quest for Senator Douglas in this Congress was the distinguished senior Senator from Wisconsin [Mr. PROXMIRE]. I join the distinguished chairman of the Committee on Banking and Currency [Mr. SPARKMAN] in his praise of Senator PROXMIRE earlier today. Without a doubt, the outstanding talent and dedicated service of Senator PROXMIRE assured the passage of the measure. Both in committee, and on the floor today, he displayed the keen advocacy and sound judgment that made unanimous Senate approval a certainty. The Senate and the people of the Nation are forever in his debt.

The senior Senator from Utah [Mr. BENNETT], the able ranking minority member of the committee, similarly is to be commended for urging his strong support for this measure. As on all legislative proposals that have gained his endorsement, he displayed his astute and highly effective talents. The Senate is grateful for his wisdom, his articulate advocacy, and his deep appreciation of the issues involved.

The distinguished chairman of the committee, the Senator from Alabama [Mr. SPARKMAN] played a vital role in the passage of this measure. Noteworthy was his clear and able direction of the committee's action and his forthright support given so ably during the discussion today.

The junior Senator from Illinois [Mr. PERCY], the senior Senator from New York [Mr. JAVITS] and the Senator from

Minnesota [Mr. MONDALE] are to be thanked for offering their strong and sincere views and likewise for contributing so ably to the discussion. Their wise and profound judgment was most appreciated, as was the clear and thoughtful assessment of the proposal offered by the Senators from Maine [Mr. MUSKIE] and Florida [Mr. HOLLAND].

Many other Senators joined to assure unanimous approval and the Senate may indeed be proud of the lively and provocative views expressed. Each of us may look with pride upon this achievement. It marks a large step in the direction of what I believe will be of vital importance to the consumers of the Nation, while preserving every interest of those institutions affected by this credit disclosure proposal.

Again, our thanks to Senator Douglas and to Senator PROXMIRE. This success will be a lasting monument to their efforts.

RETIREMENT OF BERNARD BOUTIN FROM SMALL BUSINESS ADMINISTRATION

Mr. MONDALE. Mr. President, I ask unanimous consent that there be printed in the RECORD an article which appeared in this morning's Washington Post by Drew Pearson concerning the magnificent public service career of Mr. Bernard Boutin, who has resigned as Administrator of the Small Business Administration.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Post, July 11, 1967]

HERO WITHOUT HEADLINES

(By Drew Pearson and Jack Anderson)

This column, which has fingered the inefficient and spotlighted the unethical, today pays tribute to an unheralded bureaucrat now retiring from Government. He is Bernard Boutin, head of the Small Business Administration, who has operated without headlines without scandal, and with a healthy record of promoting cooperation between business and Government.

There was a time when business and the Government considered themselves enemies. But under President Johnson big corporations are cooperating in job training programs while small-town banks are helping the Small Business Administration with loans.

What happens is that when local banks cannot make a loan they cooperate with the Small Business Administration either in taking part of the loan or getting the SBA to take it all. Administrator Boutin has also retained retired bankers on a per diem allowance to handle this cooperation. When a retired banker approaches a local bank not as a bureaucrat but as a businessman he gets better cooperation.

In addition, Boutin has drafted more than 2000 retired businessmen to work with the recipients of small loans to advise on their accounting systems, their production methods and their general techniques. These retired businessmen have a lot of know-how and Boutin has been using it.

Boutin finds that President Johnson takes a great personal interest in small business. Despite the press of the Vietnam war and other major problems, the President confers with Boutin every two weeks on small business progress.

Boutin is now leaving the government for

private business. The reason: He has 10 children to support.

Note: Boutin first trained as mayor of Laconia, N.H., a city which has sent such other former mayors to Washington as former Rep. Oliva Huot and Sen. Tom McIntyre.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the House had passed, without amendment, the following bills of the Senate:

S. 60. An act for the relief of Dr. Oton Socarraz;

S. 67. An act for the relief of Dr. Juan Ramon Diaz Zayas Bazan;

S. 118. An act for the relief of Dr. Amparo Castro;

S. 132. An act for the relief of Dr. Alberto Fernandez-Bravo y Amat;

S. 164. An act for the relief of Dr. Cesar A. Mena;

S. 168. An act for the relief of Maria Jordan Ferrando;

S. 327. An act for the relief of Dr. Carlos Victor De La Concepcion Garcia;

S. 371. An act for the relief of Mrs. Mary T. Brooks;

S. 462. An act for the relief of Dr. Jesus L. Lastra;

S. 464. An act for the relief of Dr. Guillermo N. Hernandez, Jr.;

S. 465. An act for the relief of Dr. Mario Guillermo Martinez;

S. 499. An act for the relief of Dr. Manuel A. Zuniga;

S. 652. An act for the relief of certain employees of the Puget Sound Naval Shipyard;

S. 819. An act for the relief of Charles H. Thurston;

S. 853. An act to extend the life of the Commission on Political Activity of Government Personnel;

S. 904. An act for the relief of Doreen Delmege Willis;

S. 996. An act for the relief of Dr. Esther Yolanda Lauzardo;

S. 1045. An act for the relief of Alton R. Conner; and

S. 1278. An act for the relief of Dr. Floriberto S. Puente.

ENROLLED BILL SIGNED

The message also announced that the Speaker had affixed his signature to the enrolled bill (H.R. 2762) for the relief of CWO Bernhard Vollmer, U.S. Navy (retired).

FEDERAL EMPLOYEES' LIFE INSURANCE

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 351, S. 271.

The PRESIDING OFFICER. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (S. 271) to amend title 5, United States Code, to provide additional group life insurance and accidental death and dismemberment insurance for Federal employees, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Post Office and Civil Service, with an

90TH CONGRESS
1ST SESSION

S. 5

IN THE HOUSE OF REPRESENTATIVES

JULY 12, 1967

Referred to the Committee on Banking and Currency

AN ACT

To assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the “Truth in Lending Act”.

4 DECLARATION OF PURPOSE

5 SEC. 2. The Congress finds and declares that economic
6 stabilization would be enhanced and that competition among
7 the various financial institutions and other firms engaged in
8 the extension of consumer credit would be strengthened by
9 the informed use of credit. The informed use of credit results
10 from an awareness of the costs thereof by consumers. It is

1 the purpose of this Act to assure a full disclosure of such
2 costs with a view to promoting the informed use of consumer
3 credit to the benefit of the national economy.

4 DEFINITIONS

5 SEC. 3. For the purposes of this Act—

6 (a) “Board” means the Board of Governors of the
7 Federal Reserve System.

8 (b) “Credit” means the right granted by a creditor to
9 a person other than an organization to defer payment of
10 debt or to incur debt and defer its payment, where the debt
11 is contracted by the obligor primarily for personal, family,
12 household, or agricultural purposes. The term does not in-
13 clude any contract in the form of a bailment or lease except
14 to the extent specifically included within the term “consumer
15 credit sale”.

16 (c) “Consumer credit sale” means a transaction in
17 which credit is granted by a seller in connection with the sale
18 of goods or services, if such seller regularly engages in credit
19 transactions as a seller, and such goods or services are pur-
20 chased primarily for a personal, family, household, or agri-
21 cultural purpose. The term does not include any contract in
22 the form of a bailment or lease unless the obligor contracts to
23 pay as compensation for use a sum substantially equivalent to
24 or in excess of the value of the goods or services involved, and
25 unless it is agreed that the obligor is bound to become, or for

1 no other or a non-norminal consideration has the option of
2 becoming, the owner of the goods upon full compliance with
3 the provisions of the contract.

4 (d) (1) "Finance charge" means the sum of all the
5 charges imposed directly or indirectly by a creditor, and pay-
6 able directly or indirectly by an obligor, as an incident to the
7 extension of credit, including loan fees, service and carrying
8 charges, discounts, interest, time price differentials, investi-
9 gators' fees, costs of any guarantee or insurance protecting
10 the creditor against the obligor's default or other credit loss,
11 and any amount payable under a point, discount, or other
12 system of additional charges.

13 (2) If itemized and disclosed under section 4, the term
14 does not include amounts collected by a creditor, or included
15 in the credit, for (A) fees and charges prescribed by law
16 which actually are or will be paid to public officials for deter-
17 mining the existence of or for perfecting or releasing or satis-
18 fying any security related to a credit transaction; (B) taxes;
19 (C) charges or premiums for insurance against loss of or
20 damage to property related to a credit transaction or against
21 liability arising out of the ownership or use of such property;
22 and (D) charges or premiums for credit life and accident
23 and health insurance.

24 (3) Where credit is secured in whole or in part by an
25 interest in real property, the term does not include, in addi-

tion to the duly itemized and disclosed costs referred to in clauses (A), (B), (C), and (D) of paragraph (2), the costs of (i) title examination, title insurance, or corresponding procedures; (ii) preparation of the deed, settlement statement, or other documents; (iii) escrows for future payments of taxes and insurance; (iv) notarizing the deed and other documents; (v) appraisal fees; and (vi) credit reports.

(e) "Creditor" means any individual, or any partnership, corporation, association, cooperative, or other entity, including the United States or any agency or instrumentality thereof, or any other government or political subdivision or agency or instrumentality thereof, if such individual or entity regularly engages in credit transactions, whether in connection with the sale of goods and services or otherwise, and extends credit for which the payment of a finance charge is required.

(f) (1) "Annual percentage rate" means, for the purposes of sections 4(b) and 4(c), the nominal annual rate determined by the actuarial method (United States rule). For purposes of this calculation it may be assumed that:

(A) The total time for repayment of the total amount to be financed is the time from the date of the transaction to the date of the final scheduled payment.

(B) All payments are equal if every scheduled pay-

ment in the series of payments is equal except one which may not be more than double any other scheduled payment in the series.

(C) All payments are scheduled at equal intervals, if all payments are so scheduled except the first payment which may be scheduled to be paid before, on, or after one period from the date of the transaction. A period of time equal to one-half or more of a payment period may be considered one full period.

(2) The Board may prescribe methods other than the actuarial method, if the Board determines that the use of such other methods will materially simplify computation while retaining reasonable accuracy as compared with the rate determined under the actuarial method.

(3) For the purposes of section 4 (d), the term "equivalent annual percentage rate" means the rate or rates computed by multiplying the rate or rates used to compute the finance charge for any period by the number of periods in a year.

(4) Where a creditor imposes the same finance charge for all balances within a specified range, the annual percentage rate or equivalent annual percentage rate shall be computed on the median balance within the range for the purposes of sections 4 (b), 4 (c), and 4 (d).

(g) "Open-end credit plan" means a plan prescribing

1 the terms of credit transactions which may be made there-
2 under from time to time and under the terms of which a
3 finance charge may be computed on the outstanding unpaid
4 balance from time to time thereunder.

5 (h) "Installment open-end credit plan" means an open-
6 end credit plan which has one or more of the following
7 characteristics: (1) creates a security interest in, or provides
8 for a lien on, or retention of title to, any property (whether
9 real or personal, tangible or intangible), (2) provides for
10 a repayment schedule pursuant to which less than 60 per
11 centum of the unpaid balance at any time outstanding under
12 the plan is required to be paid within twelve months, or
13 (3) provides that amounts in excess of required payments
14 under the repayment schedule are applied to future pay-
15 ments in the order of their respective due dates.

16 (i) "First mortgage" means such classes of first liens as
17 are commonly given to secure advances on, or the unpaid
18 purchase price of, real estate under the laws of the State in
19 which the real estate is located.

20 (j) "Organization" means a corporation, government
21 or governmental subdivision or agency, business or other
22 trust, estate, partnership, or association.

23 DISCLOSURE OF FINANCE CHARGES

24 SEC. 4. (a) Each creditor shall furnish to each person
25 to whom credit is extended and upon whom a finance charge

1 is or may be imposed the information required by this
2 section, in accordance with regulations prescribed by the
3 Board.

4 (b) This subsection applies to consumer credit sales
5 other than sales under an open-end credit plan. For each
6 such sale the creditor shall disclose, to the extent applicable—

7 (1) the cash price of the property or service pur-
8 chased;

9 (2) the sum of any amounts credited as down-
10 payment (including any trade-in) ;

11 (3) the difference between the amounts set forth in
12 paragraphs (1) and (2) ;

13 (4) all other charges, individually itemized, which
14 are included in the amount of the credit extended but
15 which are not part of the finance charge;

16 (5) the total amount to be financed (the sum of
17 the amounts disclosed under (3) and (4) above) ;

18 (6) the amount of the finance charge (such charge,
19 or a portion of such charge, may be designated as a
20 time-price differential or as a similar term to the extent
21 applicable) ;

22 (7) the finance charge expressed as an annual
23 percentage rate, if the amount of such charge is \$10.00
24 or more ;

- 1 (8) the number, amount, and due dates or periods
2 of payments scheduled to repay the indebtedness; and
3 (9) the default, delinquency, or similar charges pay-
4 able in the event of late payments.

5 Except as otherwise hereinafter provided, the disclosure re-
6 quired by this subsection shall be made before the credit is
7 extended. Compliance may be attained by disclosing such
8 information in the contract or other evidence of indebtedness
9 to be signed by the obligor. Where a seller receives a pur-
10 chase order by mail or telephone without personal solicitation
11 by a representative of the seller and the cash price and de-
12 ferred payment price and the terms of financing, including the
13 annual percentage rate, are set forth in the seller's catalog or
14 other printed material distributed to the public, the disclosure
15 shall be made on or before the date the first payment is due.

16 (c) This subsection applies to extensions of credit other
17 than consumer credit sales or transactions under an open-end
18 credit plan. Any creditor making a loan or otherwise extend-
19 ing credit under this subsection shall disclose, to the extent
20 applicable—

- 21 (1) the amount of credit of which the obligor will
22 have the actual use, or which is or will be paid to him or
23 for his account or to another person on his behalf;

- 24 (2) all charges, individually itemized, which are

1 included in the amount of the credit extended but which
2 are not part of the finance charge;

3 (3) the total amount to be financed (the sum of
4 items (1) and (2) above) ;

5 (4) the amount of the finance charge;

6 (5) the finance charge expressed as an annual per-
7 centage rate, if the amount of such charge is \$10.00 or
8 more;

9 (6) the number, amount, and due dates or periods
10 of payments scheduled to repay the indebtedness; and

11 (7) the default, delinquency, or similar charges
12 payable in the event of late payments.

13 Except as otherwise hereinafter provided, the disclosure re-
14 quired by this subsection shall be made before the credit is
15 extended. Compliance may be attained by disclosing such in-
16 formation in the note or other evidence of indebtedness to be
17 signed by the obligor. Where a creditor receives a request for
18 an extension of credit by mail or telephone without personal
19 solicitation by a representative of the creditor and the terms
20 of financing, including the annual percentage rate for repre-
21 sentative amounts of credit, are set forth in the creditor's
22 printed material distributed to the public, or in the contract
23 of loan or other printed material delivered to the obligor,

1 the disclosure shall be made on or before the date the first
2 payment is due.

3 (d) (1) This subsection applies to open-end credit plans.

4 (2) Before opening any account under an open-end
5 credit plan, the creditor shall, to the extent applicable, dis-
6 close to the person to whom credit is to be extended—

7 (A) the conditions under which a finance charge
8 may be imposed, including the time period, if any,
9 within which any credit extended may be repaid with-
10 out incurring a finance charge;

11 (B) the method of determining the balance upon
12 which a finance charge will be imposed;

13 (C) the method of determining the amount of the
14 finance charge (including any minimum or fixed amount
15 imposed as a finance charge), the percentage rate per
16 period of the finance charge to be imposed if any, and,
17 in the case of an installment open-end credit plan, the
18 equivalent annual percentage rate; and

19 (D) the conditions under which any other charges
20 may be imposed, and the method by which they will be
21 determined.

22 (3) For each billing cycle at the end of which there is
23 an outstanding balance under any such account, the creditor
24 shall disclose to the extent applicable—

1 (A) the outstanding balance in the account at the
2 beginning of the billing period;

3 (B) the amount and date of each extension of credit
4 during the period and, if a purchase was involved, a
5 brief identification (unless previously furnished) of the
6 goods or services purchased;

7 (C) the total amount credited to the account during
8 the period;

9 (D) the amount of any finance charge added to the
10 account during the period, itemized to show the amount,
11 if any, due to the application of a percentage rate and
12 the amount, if any, imposed as a minimum or fixed
13 charge;

14 (E) the balance on which the finance charge was
15 computed and a statement of how the balance was de-
16 termined;

17 (F) the rate, if any, used in computing the finance
18 charge and, in the case of an installment open-end credit
19 plan, the equivalent annual percentage rate;

20 (G) the outstanding balance in the account at the
21 end of the period; and

22 (H) the date by which, or the period (if any) with-
23 in which, payment must be made to avoid additional
24 finance charges.

1 (4) If a creditor adds to this billing under an open-end
2 credit plan one or more installments of other indebtedness
3 from the same obligor, the creditor is not required to dis-
4 close under this subsection any information which has been
5 disclosed previously in compliance with subsection (b) or
6 (c).

7 (e) Written acknowledgment of receipt by a person to
8 whom a statement is required to be given pursuant to this
9 section shall be conclusive proof of the delivery thereof and,
10 unless the violation is apparent on the face of the statement,
11 of compliance with this section in any action or proceeding
12 by or against an assignee of the original creditor without
13 knowledge to the contrary by such assignee when he acquires
14 the obligation. Such acknowledgment shall not affect the
15 rights of the obligor in any action against the original
16 creditor.

17 (f) If there is more than one obligor, a creditor may
18 furnish a statement of required information to only one of
19 them. Required information need not be given in the sequence
20 or order set forth in this section. Additional information or
21 explanations may be included. So long as it conveys sub-
22 stantially the same meaning, a creditor may use language or
23 terminology in any required statement different from that
24 prescribed by this Act.

1 (g) If applicable State law requires disclosure of items
2 of information substantially similar to those required by this
3 Act, then a creditor who complies with such State law may
4 comply with this Act by disclosing only the additional items
5 of information required by this Act.

6 (h) If information disclosed in accordance with this
7 section and any regulations prescribed by the Board is sub-
8 sequently rendered inaccurate as the result of a prepayment,
9 late payment, adjustment, or amendment of the credit agree-
10 ment through mutual consent of the parties or as permitted
11 by law, or as the result of any act or occurrence subsequent
12 to the delivery of the required disclosures, the inaccuracy re-
13 sulting therefrom shall not constitute a violation of this sec-
14 tion.

15 (i) (1) Subject to paragraph (2) —

16 (A) whenever an annual percentage rate is re-
17 quired to be disclosed by this section, such rate may be
18 expressed either as a percentage rate per year, or as a
19 dollars per hundred per year rate of the average unpaid
20 balance; and

21 (B) whenever a rate other than an annual rate is
22 used to compute a finance charge and is required to be
23 disclosed under subsection (d), such rate may be ex-

1 pressed either as a percentage rate per period of the bal-
2 ance upon which the finance charge is computed, or as a
3 dollars per hundred per period rate of such balance.

4 (2) On and after January 1, 1972, all rates required
5 to be disclosed by this section shall be expressed as percent-
6 age rates.

7 REGULATIONS

8 SEC. 5. (a) The Board shall prescribe regulations to
9 carry out this Act, including provisions—

(1) describing the methods which may be used in determining annual percentage rates under section 4, including, but not limited to, the use of any rules, charts, tables, or devices by creditors to convert to an annual percentage rate any add-on, discount or other method of computing a finance charge;

(2) prescribing procedures to ensure that the information required to be disclosed under section 4 is set forth clearly and conspicuously; and

(3) prescribing reasonable tolerances of accuracy
with respect to disclosing information under section 4.

(b) In prescribing regulations with respect to reasonable tolerances of accuracy as required by subsection

23 (a) (3), the Board shall observe the following limitations:

(1) The annual percentage rate may be rounded to the nearest quarter of 1 per centum for credit transac-

tions payable in substantially equal installments when a creditor determines the total finance charge on the basis of a single add-on, discount, periodic, or other rate, and such rates are converted into an annual percentage rate under procedures prescribed by the Board.

(2) The use of rate tables or charts may be authorized in cases where the total finance charge is determined in a manner other than that specified in paragraph (1). Such tables or charts may provide for the disclosure of annual percentage rates which vary up to 8 per centum of the rate as defined by section 3 (f). However, any creditor who willfully and knowingly uses such tables or charts in such a manner so as to consistently understate the annual percentage rate, as defined by section 3 (f), shall be liable for criminal penalties under section 7 (b) of this Act.

(3) In the case of creditors determining the annual percentage rate in a manner other than as described in paragraph (1) or (2), the Board may authorize other reasonable tolerances.

(4) In order to simplify compliance where irregular payments are involved, the Board may authorize tolerances greater than those specified in paragraph (2).

(c) Any regulation prescribed hereunder may contain

1 such classifications and differentiations and may provide for
2 such adjustments and exceptions from this Act or the regu-
3 lations thereunder for any class of transactions, as in the
4 judgment of the Board are necessary or proper to effectuate
5 the purposes of this Act or to prevent circumvention or
6 evasion of, or to facilitate compliance by creditors with,
7 this Act or any regulation issued hereunder. In prescribing
8 exceptions, the Board shall consider, among other things,
9 whether any class of transactions is subject to any Federal
10 or State law or regulation which requires disclosures sub-
11 stantially similar to those required by section 4.

12 (d) In the exercise of its powers under this Act, the
13 Board may request the views of other Federal agencies which
14 in its judgment exercise regulatory functions with respect
15 to any class of creditors, and such agencies shall furnish
16 such views upon request of the Board.

17 (e) The Board shall establish an advisory committee,
18 to advise and consult with it in the exercise of its powers
19 under this Act. In appointing such members to such com-
20 mittee the Board shall seek to achieve a fair representation
21 of the interests of sellers of merchandise on credit, lenders,
22 and the public. Such committee shall meet from time to time
23 at the call of the Board, and members thereof shall be paid
24 transportation expenses and not to exceed \$100 per diem.

EFFECT ON STATE LAWS

SEC. 6. (a) This Act shall not be construed to annul, alter or affect, or to exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that such laws are inconsistent with the provisions of this Act, or regulations issued thereunder, and then only to the extent of the inconsistency. This Act shall not otherwise be construed to annul, alter or affect in any manner the meaning, scope or applicability of the laws of any State, including, but not limited to, laws relating to the types, amounts or rates of charges, or any element or elements of charges, permissible under such laws in connection with the extension or use of credit, nor to extend the applicability of such laws to any class of persons or transactions to which such laws would not otherwise apply, nor shall the disclosure of the annual percentage rate in connection with any consumer credit sale as required by this Act be evidence in any action or proceeding that such sale was a loan or any transaction other than a credit sale.

(b) The Board shall by regulation exempt from the requirements of this Act any class of credit transactions which it determines are subject to any State law or regulation which requires disclosures substantially similar to those required

1 by section 4, and contains adequate provisions for enforce-
2 ment.

3 (c) Except as specified in section 7, nothing contained
4 in this Act or any regulations issued thereunder shall affect
5 the validity or enforceability of any contract or obligation
6 under State or Federal law.

7 CIVIL AND CRIMINAL PENALTIES

8 SEC. 7. (a) (1) Any creditor who, in connection with
9 any credit transaction, knowingly fails in violation of this
10 Act, or any regulation issued thereunder, to disclose any
11 information to any person to whom such information is
12 required to be given shall be liable to such person in the
13 amount of \$100, or in any amount equal to twice the finance
14 charge required by such creditor in connection with such
15 transaction, whichever is the greater, except that such lia-
16 bility shall not exceed \$1,000 on any credit transaction.

17 (2) In any action brought under this subsection in which
18 it is shown that the creditor disclosed a percentage rate or
19 amount less than that required to be disclosed by section 4 or
20 regulations prescribed by the Board (after taking into ac-
21 count permissible tolerances), or failed to disclose information
22 so required, there shall be a rebuttable presumption that such
23 violation was made knowingly. Such presumption shall be
24 rebutted if the creditor shows by a preponderance of evidence
25 that the violation was not intentional and resulted from a

1 bona fide error notwithstanding the maintenance of proce-
2 dures reasonably adapted to avoid any such error: *Provided*,
3 That a creditor shall have no liability under this subsection if
4 within fifteen days after discovering the error, and prior to
5 the institution of an action hereunder or the receipt of writ-
6 ten notice of the error, the creditor notifies the person con-
7 cerned of the error and makes whatever adjustments in the
8 appropriate account as are necessary to ensure that such
9 person will not be required to pay a finance charge in excess
10 of the amount or percentage rate so disclosed.

11 (3) Any action under this subsection may be brought in
12 any court of competent jurisdiction within one year from the
13 date of the occurrence of the violation. In any such action in
14 which a person is entitled to recover a penalty as prescribed
15 in paragraph (1), the defendant shall also be liable for
16 reasonable attorneys' fees and court costs as determined by
17 the court.

18 (4) As used in this subsection, the term "court of com-
19 petent jurisdiction" means either any Federal court of com-
20 petent jurisdiction regardless of the amount in controversy,
21 or any State court of competent jurisdiction.

22 (b) Any person who knowingly and willfully gives
23 false or inaccurate information or fails to provide informa-
24 tion required to be disclosed under the provisions of this Act
25 or any regulation issued thereunder, or who otherwise know-

1 ingly and willfully violates any provision of this Act or any
2 regulation issued thereunder, shall be fined not more than
3 \$5,000 or imprisoned not more than one year, or both. The
4 responsibility for enforcing this subsection is hereby assigned
5 to the Attorney General.

6 (c) No punishment or penalty provided by this Act shall
7 apply to the United States, or any agency thereof, or to any
8 State, any political subdivision thereof, or any agency of any
9 State or political subdivision.

10 (d) No person shall be subject to punishment or penalty
11 under this Act solely as the result of the disclosure of a
12 finance charge or percentage which is greater than the
13 amount of such charge or percentage required to be disclosed
14 by such person under section 4, or regulations prescribed by
15 the Board.

16 EXCEPTIONS

17 SEC. 8. The provisions of this Act shall not apply to—

18 (1) credit transactions involving extensions of credit
19 for business or commercial purposes, or to governments
20 or governmental agencies or instrumentalities, or to orga-
21 nizations;

1 (2) transactions in securities or commodities in ac-
2 counts by a broker-dealer registered with the Securities
3 and Exchange Commission;

4 (3) credit transactions, other than real property
5 transactions, in which the total amount to be financed
6 exceeds \$25,000; or

7 (4) transactions involving extensions of credit se-
8 cured by first mortgages on real estate.

9 REPORTS

10 SEC. 9. Not later than January 3 of each year com-
11 mencing after the effective date of this Act, the Board of
12 Governors of the Federal Reserve System and the Attorney
13 General shall, respectively, make reports to the Congress con-
14 cerning the administration of their functions under this Act,
15 including such recommendations as the Board and the Attor-
16 ney General, respectively, deem necessary or appropriate.
17 In addition, reports of the Board of Governors of the Federal
18 Reserve System shall include the Board's assessment of the
19 extent to which compliance with the provisions of this Act,
20 and regulations prescribed thereunder, is being achieved.

1 EFFECTIVE DATE

2 SEC. 10. The provisions of this Act shall take effect upon
3 July 1, 1969; except that section 5 shall take effect immedi-
4 ately upon enactment.

Passed the Senate July 11, 1967.

Attest:

FRANCIS R. VALEO,

Secretary.

AN ACT

To assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit.

JULY 12, 1967

Referred to the Committee on Banking and Currency

90TH CONGRESS
1ST SESSION

H. R. 11601

IN THE HOUSE OF REPRESENTATIVES

JULY 20, 1967

Mrs. SULLIVAN (for herself, Mr. GONZALEZ, Mr. MINISH, Mr. ANNUNZIO, Mr. BINGHAM, and Mr. HALPERN) introduced the following bill; which was referred to the Committee on Banking and Currency

A BILL

To safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. This Act may be cited as the “Consumer
4 Credit Protection Act”.

5 **TITLE I—CREDIT TRANSACTIONS**

6 SEC. 101. (a) The Federal Reserve Act is amended
7 by striking the first section and inserting:

8 “TITLE I—THE FEDERAL RESERVE SYSTEM

9 “SECTION 1. This title may be cited as the Federal
10 Reserve Act.”

11 (b) Title I of the Federal Reserve Act is amended by
12 changing “Act”, wherever that word is used with reference
13 to title I of the Federal Reserve Act (as so designated by
14 subsection (a) of this section) to read “title”.

15 (c) The Federal Reserve Act is amended by adding
16 at the end:

17 **“TITLE II—CREDIT TRANSACTIONS**

18 **“DECLARATION OF PURPOSE**

19 “SEC. 201. (a) The Congress finds that economic
20 stabilization would be enhanced and that competition among
21 the various financial institutions and other firms engaged in
22 the extension of consumer credit would be strengthened by
23 the informed use of credit. Significant segments of the popu-
24 lation are misled by the manner in which the terms and con-
25 ditions of credit are offered and contracted for, as well as by

1 advertising in or affecting commerce, which fail adequately
2 to disclose the credit terms offered to buyers in making pur-
3 chases, or obtaining loans, payable in installments or offered
4 under open end credit plans. Such failure of adequate dis-
5 closure tends to increase the uninformed and untimely use of
6 credit by the public, thereby adversely affecting economic
7 stabilization, increasing inflationary pressures, and decreas-
8 ing the stability of the value of our currency. The informed
9 use of credit results from an awareness of the cost thereof by
10 consumers. It is the purpose of this title to assure a mean-
11 ingful disclosure of credit terms so that the consumer will
12 be able to compare more readily the various credit terms
13 available to him and avoid the uninformed use of credit.

14 “(b) Congress further finds that the stabilization of
15 consumer prices would be enhanced by the regulation of
16 speculation in, and the excessive use of credit for, the creation,
17 carrying or trading in commodity futures contracts, as well
18 as the establishment of standby authority for the emergency
19 control of consumer credit.

20 “DEFINITIONS

21 “SEC. 202. For the purposes of this title

22 “(a) ‘Board’ means the Board of Governors of the Fed-
23 eral Reserve System.

24 “(b) ‘credit’ means the right granted by a creditor to
25 a person other than an organization to defer payment of

1 debt or to incur debt and defer its payment, where the debt
2 is contracted by the obligor primarily for personal, family,
3 household, or agricultural purposes. The term does not in-
4 clude any contract in the form of a bailment or lease except
5 to the extent specifically included within the term 'consumer
6 credit sale'.

7 “(c) 'consumer credit sale' means a transaction in which
8 credit is granted by a seller in connection with the sale of
9 goods or services, if such seller regularly engages in credit
10 transactions as a seller, and such goods or services are pur-
11 chased primarily for a personal, family, household, or agri-
12 cultural purpose. The term does not include any contract in
13 the form of a bailment or lease unless the obligor contracts to
14 pay as compensation for use a sum substantially equivalent to
15 or in excess of the value of the goods or services involved,
16 and unless it is agreed that the obligor is bound to become, or
17 for no other or a merely nominal consideration has the op-
18 tion of becoming, the owner of the goods upon full compli-
19 ance with the provisions of the contract.

20 “(d) 'finance charge' means the sum of all the charges
21 imposed directly or indirectly by a creditor, and payable
22 directly or indirectly by an obligor, as an incident to the
23 extension of credit, including loan fees, service and carrying
24 charges, discounts, interest, time price differentials, investi-
25 gators' fees, costs of any guarantee or insurance protecting the

1 creditor against the obligor's default or other credit loss, and
2 any amount payable under a point, discount, or other system
3 of additional charges, except that

4 “(1) if itemized and disclosed under section 203,
5 the term ‘finance charge’ does not include amounts col-
6 lected by a creditor, or included in the credit, for

7 “(A) fees and charges prescribed by law which
8 actually are or will be paid to public officials for
9 determining the existence of or for perfecting or
10 releasing or satisfying any security related to a credit
11 transaction; or

12 “(B) taxes; and

13 “(2) where credit is secured in whole or in part by
14 an interest in real property, the term does not include,
15 in addition to the duly itemized and disclosed costs
16 referred to in clauses (A) and (B) of paragraph (1),
17 the costs of

18 “(A) title examination, title insurance, or cor-
19 responding procedures;

20 “(B) preparation of the deed, settlement state-
21 ment, or other documents;

22 “(C) escrows for future payments of taxes and
23 insurance;

24 “(D) notarizing the deed and other documents;

25 “(E) appraisal fees; or

1 “(F) credit reports.

2 “(e) ‘creditor’ means any individual, or any partner-
3 ship, corporation, association, cooperative, or other entity,
4 including the United States or any agency or instrumentality
5 thereof, or any other government or political subdivision or
6 agency or instrumentality thereof, if such individual or en-
7 tity regularly engages in credit transactions, whether in con-
8 nection with the sale of goods and services or otherwise, and
9 extends credit for which the payment of a finance charge is
10 required.

11 “(f) (1) ‘annual percentage rate’ means, for the pur-
12 poses of sections 203 (b) and 203 (c), the nominal annual
13 rate determined by the actuarial method (United States
14 rule). For purposes of this calculation it may be assumed
15 that:

16 “(A) The total time for repayment of the total
17 amount to be financed is the time from the date of the
18 transaction to the date of the final scheduled payment.

19 “(B) All payments are equal if every scheduled
20 payment in the series of payments is equal except one
21 which may not be more than double any other scheduled
22 payment in the series.

23 “(C) All payments are scheduled at equal inter-
24 vals, if all payments are so scheduled except the first
25 payment which may be scheduled to be paid before, on,

1 or after one period from the date of the transaction. A
2 period of time equal to one-half or more of a payment
3 period may be considered one full period.

4 “(2) The Board may prescribe methods other than the
5 actuarial method, if the Board determines that the use of
6 such other methods will materially simplify computation
7 while retaining reasonable accuracy as compared with the
8 rate determined under the actuarial method.

9 “(3) For the purposes of section 203 (d), the term
10 ‘equivalent annual percentage rate’ means the rate or rates
11 computed by multiplying the rate or rates used to compute
12 the finance charge for any period by the number of periods
13 in a year.

14 “(4) Where a creditor imposes the same finance charge
15 for all balances within a specified range, the annual percent-
16 age rate or equivalent annual percentage rate shall be com-
17 puted on the median balance within the range for the pur-
18 poses of sections 203 (b), 203 (c), and 203 (d).

19 “(g) ‘open end credit plan’ means a plan prescribing
20 the terms of credit transactions which may be made there-
21 under from time to time and under the terms of which a
22 finance charge may be computed on the outstanding unpaid
23 balance from time to time thereunder.

24 “(h) ‘organization’ means a corporation, government

1 or governmental subdivision or agency, business or other
2 trust, estate, partnership, or association.

3 “(i) ‘advertisement in interstate commerce or affecting
4 interstate commerce’ includes, but is not limited to,

5 “(1) the advertising of goods, services, loans, or
6 open end credit plans through any means or instru-
7 mentality of interstate commerce; and

8 “(2) the advertising

9 “(A) of any goods which are made in whole
10 or in part of any item which has been shipped and
11 received in interstate commerce,

12 “(B) of any service which is to be performed
13 using any item which was shipped and received in
14 interstate commerce, or

15 “(C) of any loan or of any extension of credit
16 under an open end credit plan which is to be made
17 in whole or in part in interstate commerce.

18 “(j) ‘State’ means any State, the Commonwealth of
19 Puerto Rico, or the District of Columbia.

20 “DISCLOSURE OF FINANCE CHARGES; ADVERTISING

21 “SEC. 203. (a) Each creditor shall furnish to each per-
22 son to whom credit is extended and upon whom a finance
23 charge is or may be imposed the information required by
24 this section, in accordance with regulations prescribed by the
25 Board.

1 “(b) This subsection applies to consumer credit sales
2 other than sales under an open end credit plan. For each
3 such sale the creditor shall disclose, to the extent applicable,

4 “(1) the cash price of the property or service pur-
5 chased;

6 “(2) the sum of any amounts credited as down-
7 payment (including any trade-in) ;

8 “(3) the difference between the amounts set forth
9 in paragraphs (1) and (2) ;

10 “(4) all other charges, individually itemized, which
11 are included in the amount of the credit extended but
12 which are not part of the finance charge ;

13 “(5) the total amount to be financed (the sum of
14 the amounts disclosed under (3) and (4) above) ;

15 “(6) the amount of the finance charge (such charge,
16 or a portion of such charge, may be designated as a
17 time-price differential or as a similar term to the extent
18 applicable) ;

19 “(7) the finance charge expressed as an annual
20 percentage rate ;

21 “(8) the number, amount, and due dates or periods
22 of payments scheduled to repay the indebtedness ; and

23 “(9) the default, delinquency, or similar charges
24 payable in the event of late payments.

1 Except as otherwise hereinafter provided, the disclosure re-
2 quired by this subsection shall be made before the credit is
3 extended. Compliance may be attained by disclosing such in-
4 formation in the contract or other evidence of indebtedness to
5 be signed by the obligor. Where a seller receives a purchase
6 order by mail or telephone without personal solicitation by a
7 representative of the seller and the cash price and deferred
8 payment price and the terms of financing, including the an-
9 nual percentage rate, are set forth in the seller's catalog or
10 other printed material distributed to the public, the disclosure
11 shall be made on or before the date the first payment is due.

12 “(c) This subsection applies to extensions of credit
13 other than consumer credit sales or transactions under an
14 open end credit plan. Any creditor making a loan or other-
15 wise extending credit under this subsection shall disclose, to
16 the extent applicable,

17 “(1) the amount of credit of which the obligor will
18 have the actual use, or which is or will be paid to him or
19 for his account or to another person on his behalf;

20 “(2) all charges, individually itemized, which are
21 included in the amount of the credit extended but which
22 are not part of the finance charge;

23 “(3) the total amount to be financed (the sum of
24 items (1) and (2) above);

25 “(4) the amount of the finance charge;

1 “(5) the finance charge expressed as an annual per-
2 centage rate;

3 “(6) the number, amount, and due dates or periods
4 of payments scheduled to repay the indebtedness; and

5 “(7) the default, delinquency, or similar charges
6 payable in the event of late payments.

7 Except as otherwise hereinafter provided, the disclosure re-
8 quired by this subsection shall be made before the credit is
9 extended. Compliance may be attained by disclosing such in-
10 formation in the note or other evidence of indebtedness to be
11 signed by the obligor. Where a creditor receives a request for
12 an extension of credit by mail or telephone without personal
13 solicitation by a representative of the creditor and the terms
14 of financing, including the annual percentage rate for repre-
15 sentative amounts of credit, are set forth in the creditor's
16 printed material distributed to the public, or in the contract
17 of loan or other printed material delivered to the obligor,
18 the disclosure shall be made on or before the date the first
19 payment is due.

20 “(d) (1) This subsection applies to open end credit
21 plans.

22 “(2) Before opening any account under an open end
23 credit plan, the creditor shall, to the extent applicable, dis-
24 close to the person to whom credit is to be extended—

25 “(A) the conditions under which a finance charge

1 may be imposed, including the time period, if any, within
2 which any credit extended may be repaid without incur-
3 ring a finance charge;

4 “(B) the method of determining the balance upon
5 which a finance charge will be imposed;

6 “(C) the method of determining the amount of the
7 finance charge (including any minimum or fixed amount
8 imposed as a finance charge), the annual percentage
9 rate of the finance charge to be imposed if any, and,
10 in the case of an installment open end credit plan, the
11 equivalent annual percentage rate; and

12 “(D) the conditions under which any other charges
13 may be imposed, and the method by which they will be
14 determined.

15 “(3) For each billing cycle at the end of which there is
16 an outstanding balance under any such account, the creditor
17 shall disclose, to the extent applicable,

18 “(A) the outstanding balance in the account at
19 the beginning of the billing period;

20 “(B) the amount and date of each extension of
21 credit during the period and, if a purchase was involved,
22 a brief identification (unless previously furnished) of
23 the goods or services purchased;

24 “(C) the total amount credited to the account
25 during the period;

1 “(D) the amount of any finance charge added to
2 the account during the period, itemized to show the
3 amount, if any, due to the application of a percentage
4 rate and the amount, if any, imposed as a minimum or
5 fixed charge;

6 “(E) the finance charge expressed as an annual per-
7 centage rate;

8 “(F) the balance on which the finance charge
9 was computed and a statement of how the balance was
10 determined;

11 “(G) the outstanding balance in the account at
12 the end of the period; and

13 “(H) the date by which, or the period (if any)
14 within which, payment must be made to avoid addi-
15 tional finance charges.

16 “(4) If a creditor adds to this billing under an open end
17 credit plan one or more installments of other indebtedness
18 from the same obligor, the creditor is not required to dis-
19 close under this subsection any information which has been
20 disclosed previously in compliance with subsection (b) or
21 (c).

22 “(e) Written acknowledgment of receipt by a person to
23 whom a statement is required to be given pursuant to this
24 section shall be conclusive proof of the delivery thereof and,
25 unless the violation is apparent on the face of the statement,

1 of compliance with this section in any action or proceeding
2 by or against an assignee of the original creditor without
3 knowledge to the contrary by such assignee when he acquires
4 the obligation. Such acknowledgment shall not affect the
5 rights of the obligor in any action against the original creditor.

6 “(f) If there is more than one obligor, a creditor may
7 furnish a statement of required information to only one of
8 them. Required information need not be given in the sequence
9 or order set forth in this section. Additional information or
10 explanations may be included. So long as it conveys sub-
11 stantially the same meaning, a creditor may use language or
12 terminology in any required statement different from that
13 prescribed by this title.

14 “(g) If applicable State law requires disclosure of items
15 of information substantially similar to those required by this
16 title, then a creditor who complies with such State law may
17 comply with this title by disclosing only the additional items
18 of information required by this title.

19 “(h) If information disclosed in accordance with this
20 section and any regulations prescribed by the Board is sub-
21 sequently rendered inaccurate as the result of a prepayment,
22 late payment, adjustment, or amendment of the credit agree-
23 ment through mutual consent of the parties or as permitted
24 by law, or as the result of any act or occurrence subsequent
25 to the delivery of the required disclosures, the inaccuracy re-

1 sulting therefrom shall not constitute a violation of this
2 section.

3 “(i) (1) Prior to July 1, 1968, whenever an annual
4 percentage rate is required to be disclosed by this section, the
5 rate may be expressed either as a percentage rate per year,
6 or as a dollars per hundred per year rate of the average
7 unpaid balance.

8 “(2) After June 30, 1968, all rates required to be dis-
9 closed by this section shall be expressed as percentage rates.

10 “(j) No creditor, in order to aid, promote, or assist,
11 directly or indirectly, any consumer credit sale, extension of
12 credit, or open end credit plan, may state or otherwise repre-
13 sent in any advertisement in interstate commerce or affecting
14 interstate commerce

15 “(1) that specific credit terms are available with
16 the purchase of goods or services or the obtaining of
17 a loan, unless the advertisement clearly and conspicuously
18 sets forth

19 “(A) the cash sale price,

20 “(B) the number, amount, and period of each
21 installment payment,

22 “(C) the downpayment, if any,

23 “(D) the time sale price, and

24 “(E) the finance charge, expressed as an an-
25 nual percentage rate;

1 “(2) that a specified periodic credit amount or in-
2 stallment amount can be arranged, unless the creditor
3 usually and customarily arranges credit payments or in-
4 stallments for that period and in that amount; or

5 “(3) that a specified downpayment is required,
6 unless the creditor usually and customarily arranges
7 downpayments in that amount.

8 “(k) No creditor, in order to aid, promote, or assist,
9 directly or indirectly, the extension of credit under an open
10 end credit plan, may state or otherwise represent in any
11 advertisement in interstate commerce or affecting interstate
12 commerce any of the specific terms of such plan unless the
13 advertisement clearly and conspicuously sets forth

14 “(1) the conditions under which a finance charge
15 may be imposed, including the time period, if any,
16 within which any credit extended may be repaid without
17 incurring a finance charge;

18 “(2) the method of determining the balance upon
19 which a finance charge will be imposed;

20 “(3) the method of determining the amount of the
21 finance charge (including any minimum or fixed amount
22 imposed as a finance charge), and the percentage rate
23 per period and the annual percentage rate of the finance
24 charge to be imposed; and

1 “(4) the conditions under which any other charges
2 may be imposed, and the method by which they will be
3 determined.

4 “(1) No creditor may demand or accept any finance
5 charge in connection with any extension of credit to a
6 natural person which exceeds

7 “(1) the maximum rate or amount permitted under
8 the applicable State law, or

9 “(2) 18 per centum per annum,
10 whichever is less.

11 “(m) No creditor may demand or accept in connection
12 with any extension of credit any note or other document
13 authorizing the confession of judgment against the debtor.

14 “(n) The provisions of this section shall not apply to

15 “(1) credit transactions involving extensions of
16 credit for business or commercial purposes, or to gov-
17 ernments or governmental agencies or instrumentalities,
18 or to organizations;

19 “(2) transactions in securities or commodities in
20 accounts by a broker-dealer registered with the Securities
21 and Exchange Commission; or

22 “(3) credit transactions, other than real property
23 transactions, in which the total amount to be financed
24 exceeds \$25,000.

1 "REGULATIONS

2 "SEC. 204. (a) The Board shall prescribe regulations
3 to carry out section 203, including provisions

4 " (1) describing the methods which may be used in
5 determining annual percentage rates under section 203,
6 including, but not limited to, the use of any rules, charts,
7 tables, or devices by creditors to convert to an annual
8 percentage rate any add-on, discount, or other method of
9 computing a finance charge;

10 " (2) prescribing procedures to insure that the in-
11 formation required to be disclosed under section 203 is
12 set forth clearly and conspicuously; and

13 " (3) prescribing reasonable tolerances of accuracy
14 with respect to disclosing information under section 203.

15 " (b) In prescribing regulations with respect to reason-
16 able tolerances of accuracy as required by subsection (a) (3),
17 the Board shall observe the following limitations:

18 " (1) The annual percentage rate may be rounded
19 to the nearest quarter of 1 per centum for credit transac-
20 tions payable in substantially equal installments when
21 a creditor determines the total finance charge on the
22 basis of a single add-on, discount, periodic, or other
23 rate, and such rates are converted into an annual
24 percentage rate under procedures prescribed by the
25 Board.

1 “(2) The use of rate tables or charts may be author-
2 ized in cases where the total finance charge is determined
3 in a manner other than that specified in paragraph
4 (1). Such tables or charts may provide for the dis-
5 closure of annual percentage rates which vary up to 8
6 per centum of the rate as defined by section 202 (f).
7 However, any creditor who willfully and knowingly uses
8 such tables or charts in such a manner so as to con-
9 sistently understate the annual percentage rate, as defined
10 by section 202 (f), shall be liable for criminal penalties
11 under section 206 (b) of this title.

12 “(3) In the case of creditors determining the annual
13 percentage rate in a manner other than as described
14 in paragraph (1) or (2), the Board may authorize
15 other reasonable tolerances.

16 “(4) In order to simplify compliance where irreg-
17 ular payments are involved, the Board may authorize
18 tolerances greater than those specified in paragraph (2).

19 “(c) Any regulation prescribed under this section may
20 contain such classifications and differentiations and may pro-
21 vide for such adjustments and exceptions for any class of
22 transactions as in the judgment of the Board are necessary
23 or proper to effectuate the purposes of section 203 or to pre-
24 vent circumvention or evasion of, or to facilitate compliance

1 by creditors with, section 203 or any regulation issued under
2 this section. In prescribing exceptions, the Board may con-
3 sider, among other things, whether any class of transactions
4 is subject to any State law or regulation which requires dis-
5 closures substantially similar to those required by section
6 203.

7 “(d) In the exercise of its powers under this title, the
8 Board may request the views of other Federal agencies
9 which in its judgment exercise regulatory functions with
10 respect to any class of creditors, and such agencies shall
11 furnish such views upon request of the Board.

12 “(e) The Board shall establish an advisory committee,
13 to advise and conduct with it in the exercise of its functions
14 with respect to section 203 and this section. In appointing
15 the members of the committee, the Board shall seek to
16 achieve a fair representation of the interests of sellers of
17 merchandise on credit, lenders, and the public. The com-
18 mittee shall meet from time to time at the call of the
19 Board, and members thereof shall be paid transportation
20 expenses and not to exceed \$100 per diem.

21 “EFFECT ON STATE LAWS

22 “SEC. 205. (a) This title shall not be construed to
23 annul, alter or affect, or to exempt any creditor from comply-
24 ing with, the laws of any State relating to the disclosure of
25 information in connection with credit transactions, except

1 to the extent that such laws are inconsistent with the provi-
2 sions of this title, or regulations issued thereunder, and then
3 only to the extent of the inconsistency. This title shall not
4 otherwise be construed to annul, alter or affect in any manner
5 the meaning, scope or applicability of the laws of any
6 State, including, but not limited to, laws relating to the
7 types, amounts or rates of charges, or any element or ele-
8 ments of charges, permissible under such laws in connection
9 with the extension or use of credit, nor to extend the appli-
10 cability of such laws to any class of persons or transactions to
11 which such laws would not otherwise apply, nor shall the dis-
12 closure of the annual percentage rate in connection with any
13 consumer credit sale as required by this title be evidence in
14 any action or proceeding that such sale was a loan or any
15 transaction other than a credit sale.

16 “(b) The Board shall by regulation exempt from the
17 requirements of section 203 any class of credit transactions
18 which it determines are subject to State law or regulation
19 substantially similar to the requirements under that section,
20 with adequate provision for enforcement.

21 “(c) Except as specified in section 206, section 203 and
22 the regulations issued thereunder do not affect the validity
23 or enforceability of any contract or obligation under State or
24 Federal law.

1 "CIVIL AND CRIMINAL PENALTIES

2 "SEC. 206. (a) (1) Any creditor who, in connection
3 with any credit transaction, knowingly fails in violation of
4 section 203, or any regulation issued thereunder, to disclose
5 any information to any person to whom such information is
6 required to be given shall be liable to such person in the
7 amount of \$100, or in any amount equal to twice the finance
8 charge required by such creditor in connection with such
9 transaction, whichever is the greater, except that such lia-
10 bility shall not exceed \$1,000 on any credit transaction.

11 "(2) In any action brought under this subsection in which
12 it is shown that the creditor disclosed a percentage rate or
13 amount less than that required to be disclosed by section 203
14 or regulations prescribed by the Board (after taking into
15 account permissible tolerances), or failed to disclose informa-
16 tion so required, there shall be a rebuttable presumption
17 that such violation was made knowingly. The presumption
18 is rebutted if the creditor shows by a preponderance
19 of evidence that the violation was not intentional and re-
20 sulted from a bona fide error notwithstanding the mainte-
21 nance of procedures reasonably adapted to avoid any such
22 error. A creditor has no liability under this subsection
23 if within fifteen days after discovering the error, and prior
24 to the institution of an action hereunder or the receipt of
25 written notice of the error, the creditor notifies the person

1 concerned of the error and makes whatever adjustments in
2 the appropriate account as are necessary to insure that the
3 person will not be required to pay a finance charge in excess
4 of the amount or percentage rate so disclosed.

5 “(3) Any action under this subsection may be brought
6 in any United States district court, or in any other court of
7 competent jurisdiction, within one year from the date of
8 the occurrence of the violation. In any such action in which
9 a person is entitled to recover a penalty as prescribed in
10 paragraph (1), the defendant is also liable for reasonable
11 attorneys’ fees and court costs as determined by the court.

12 “(b) Any person who knowingly and willfully gives
13 false or inaccurate information or fails to provide informa-
14 tion required to be disclosed under the provisions of this title
15 or any regulation issued thereunder, or who otherwise know-
16 ingly and willfully violates any provision of this title or any
17 regulation issued thereunder, shall be fined not more than
18 \$5,000 or imprisoned not more than one year, or both. The
19 Attorney General shall enforce this subsection.

20 “(c) No punishment or penalty provided for a viola-
21 tion of section 203 or any regulation issued under section
22 204 applies to the United States, or any agency thereof, or to
23 any State, any political subdivision thereof, or any agency
24 of any State or political subdivision.

25 “(d) No person is subject to punishment or penalty

1 under this section solely as the result of the disclosure
2 of a finance charge or percentage which is greater than the
3 amount of such charge or percentage required to be disclosed
4 by such person under section 203, or regulations prescribed
5 by the Board.

6 “REGULATION OF CREDIT FOR COMMODITY FUTURES

7 TRADING

8 “SEC. 207. For the purpose of preventing the excessive
9 speculation in and the excessive use of credit for the creation,
10 carrying, or trading in commodity futures contracts having
11 the effect of inflating consumer prices, the Board of Governors
12 of the Federal Reserve System shall prescribe regulations
13 governing the amount of credit that may be extended or main-
14 tained on any such contract. The regulations may define the
15 terms used in this section, may exempt such transactions as
16 the Board may deem unnecessary to regulate in order to
17 carry out the purpose of this section, and may make such
18 differentiations among commodities, transactions, borrowers,
19 lenders, as the Board may deem appropriate.

20 “EMERGENCY CONTROL OF CONSUMER CREDIT

21 “SEC. 208. (a) Whenever the President determines that
22 a national emergency exists which necessitates such action,
23 the Board shall issue regulations, which may include defini-
24 tions of terms used in this section, to control, to such extent
25 as the Board determines appropriate,

1 “(1) the extension of consumer credit, by means of
2 any prohibitions, restrictions, or requirements relating to

3 “(A) the amounts in which and the purposes
4 for which credit may be extended to any person,

5 “(B) the maximum maturity or other require-
6 ments as to the repayment or liquidation of any
7 extension of consumer credit,

8 “(C) where consumer credit is used for the
9 purchase of identifiable property, maximum loan-to-
10 value ratios,

11 “(D) the terms of any arrangement for the
12 lease or rental of personal property, and

13 “(E) such other elements in any extension of
14 credit as may, in his judgment, require regulation in
15 order to carry out the purposes of this title.

16 “(2) the extension of credit to finance directly or
17 indirectly the extension of consumer credit. Controls
18 imposed pursuant to this paragraph may be related to
19 the borrower's financial history, or to the lender's other
20 loans and investments, or to such other factors as the
21 Board may deem appropriate.

22 “(3) in the case of any lender engaged both in the
23 extension of consumer credit and in other types of
24 financing, the proportion of such lender's assets which

1 may be devoted to the extension of any type of con-
2 sumer credit.

3 This section does not apply to extensions of credit to finance
4 the acquisition of real property.

5 “ADMINISTRATIVE ENFORCEMENT

6 “SEC. 209. (a) Whenever the Board has reason to be-
7 lieve that any person has engaged, is engaged, or is about to
8 engage in a violation of this title, and it appears to the Board
9 that a proceeding by it in respect thereof would be in the
10 public interest, it shall serve upon that person a complaint
11 stating its charges and containing a notice of a hearing upon
12 a day and at a place therein fixed at least thirty days after
13 the service of the complaint. The person so complained of
14 shall have the right to appear in opposition to the charges set
15 forth in the complaint. The Board may upon good cause
16 shown allow any person to intervene by counsel or in person
17 in such a proceeding. The testimony in any such proceeding
18 shall be reduced to writing and filed in the office of the
19 Board. If upon the hearing the Board is of the opinion that
20 the person charged in the complaint has violated, is violat-
21 ing, or is about to violate this title, the Board shall state its
22 findings of fact in writing and shall issue and serve an order
23 requiring the person not to engage in the violation. Until
24 the expiration of the time allowed for filing a petition for
25 review, if no such petition has been duly filed within such

1 time, or, if a petition for review has been filed within such
2 time then until the record in the proceeding has been filed
3 in a court of appeals of the United States, as hereinafter
4 provided, the Board may at any time, upon such notice and
5 in such manner as it shall deem proper, modify or set aside,
6 in whole or in part, any report or any order made or issued
7 by it under this section. After the expiration of the time
8 allowed for filing a petition for review, if no such petition
9 has been duly filed within such time, the Board may at any
10 time, after notice and opportunity for hearing, reopen and
11 alter, modify, or set aside, in whole or in part, any report or
12 order made or issued by it under this section, whenever in
13 the opinion of the Board conditions of fact or of law have
14 so changed as to require such action or if the public interest
15 shall so require. The person subject to the order may, within
16 sixty days after service of the report or order entered after
17 such a reopening, obtain a review thereof in the appropriate
18 court of appeals of the United States, in the manner provided
19 in subsection (b) of this section.

20 “(b) REVIEW OF ORDER; REHEARING.—Any person
21 required by an order of the Board not to engage in a violation
22 of this title may obtain a review of such order in the court of
23 appeals of the United States, within any circuit where the act
24 or practice in question was used or where such person resides
25 or carries on business, by filing in the court, within sixty

1 days from the date of the service of such order, a written
2 petition praying that the order of the Board be set aside.
3 A copy of such petition shall be forthwith transmitted by
4 the clerk of the court to the Board, and thereupon the
5 Board shall file in the court the record in the proceeding,
6 as provided in section 2112 of title 28. Upon such filing
7 of the petition the court shall have jurisdiction of the pro-
8 ceeding and of the question determined therein concurrently
9 with the Board until the filing of the record and shall have
10 power to make and enter a decree affirming, modifying,
11 or setting aside the order of the Board, and enforcing the
12 same to the extent that such order is affirmed and to issue
13 such writs as are ancillary to its jurisdiction or are neces-
14 sary in its judgment to prevent injury to the public or to
15 competitors pendente lite. The findings of the Board as
16 to the facts, if supported by evidence, shall be conclusive.
17 To the extent that the order of the Board is affirmed, the
18 court shall thereupon issue its own order commanding
19 obedience to the terms of such order of the Board. If either
20 party shall apply to the court for leave to adduce addi-
21 tional evidence, and shall show to the satisfaction of the
22 court that such additional evidence is material and that
23 there were reasonable grounds for the failure to adduce
24 such evidence in the proceeding before the Board, the court
25 may order such additional evidence to be taken before the

1 Board and to be adduced upon the hearing in such manner
2 and upon such terms and conditions as to the court may
3 seem proper. The Board may modify its findings as to the
4 facts, or make new findings, by reason of the additional
5 evidence so taken, and it shall file such modified or new
6 findings, which, if supported by evidence, shall be conclu-
7 sive, and its recommendation, if any, for the modification
8 or setting aside of its original order, with the return of
9 such additional evidence. The judgment and decree of the
10 court shall be final, except that the same shall be subject
11 to review by the Supreme Court upon certiorari, as pro-
12 vided in section 347 of title 28 of the United States Code.

13 “(c) JURISDICTION OF COURT.—Upon the filing of the
14 record with it the jurisdiction of the court of appeals of the
15 United States to affirm, enforce, modify, or set aside orders
16 of the Board shall be exclusive.

17 “(d) SERVICE OF COMPLAINTS, ORDERS, AND OTHER
18 PROCESSES; RETURN.—Complaints, orders, and other proc-
19 esses of the Board under this section may be served by
20 anyone duly authorized by the Board, either (1) by de-
21 livering a copy thereof to the person to be served, or to a
22 member of the partnership to be served, or the president,
23 secretary, or other executive officer or a director of the cor-
24 poration to be served; or (2) by leaving a copy thereof at
25 the residence or the principal office or place of business of

1 such person; or (3) by mailing a copy thereof by registered
2 mail or by certified mail addressed to such person at his or
3 its residence or principal office or place of business. The
4 verified return by the person so serving said complaint,
5 order, or other process setting forth the manner of said serv-
6 ice shall be proof of the same, and the return post office
7 receipt for said complaint, order, or other process mailed by
8 registered mail or by certified mail as aforesaid shall be
9 proof of the service of the same.

10 “(e) FINALITY OF ORDER.—An order of the Board to
11 cease and desist shall become final

12 “(1) upon the expiration of the time allowed for
13 filing a petition for review, if no such petition has been
14 duly filed within such time; but the Board may there-
15 after modify or set aside its order to the extent provided
16 in the last sentence of subsection (a) ; or

17 “(2) upon the expiration of the time allowed for
18 filing a petition for certiorari, if the order of the Board
19 has been affirmed, or the petition for review dismissed by
20 the court of appeals, and no petition for certiorari has
21 been duly filed; or

22 “(3) upon the denial of a petition for certiorari, if
23 the order of the Board has been affirmed or the petition
24 for review dismissed by the court of appeals; or

25 “(4) upon the expiration of thirty days from the

1 date of issuance of the mandate of the Supreme Court, if
2 such Court directs that the order of the Board be affirmed
3 or the petition for review dismissed.

4 “(f) SAME; ORDER MODIFIED OR SET ASIDE BY SU-
5 PREME COURT.—If the Supreme Court directs that the
6 order of the Board be modified or set aside, the order of the
7 Board rendered in accordance with the mandate of the
8 Supreme Court shall become final upon the expiration of
9 thirty days from the time it was rendered, unless within
10 such thirty days either party has instituted proceedings to
11 have such order corrected to accord with the mandate, in
12 which event the order of the Board shall become final when
13 so corrected.

14 “(g) SAME; ORDER MODIFIED OR SET ASIDE BY COURT
15 OF APPEALS.—If the order of the Board is modified or set
16 aside by the court of appeals, and if (1) the time allowed
17 for filing a petition for certiorari has expired and no such
18 petition has been duly filed, or (2) the petition for certiorari
19 has been denied, or (3) the decision of the court has been
20 affirmed by the Supreme Court, then the order of the Board
21 rendered in accordance with the mandate of the court of
22 appeals shall become final on the expiration of thirty days
23 from the time such order of the Board was rendered, unless
24 within such thirty days either party has instituted proceed-
25 ings to have such order corrected so that it will accord with

1 the mandate, in which event the order of the Board shall
2 become final when so corrected.

3 “(h) SAME; REHEARING UPON ORDER OR REMAND.—

4 If the Supreme Court orders a rehearing; or if the case is
5 remanded by the court of appeals to the Board for a rehear-
6 ing, and if (1) the time allowed for filing a petition for
7 certiorari has expired, and no such petition has been duly
8 filed, or (2) the petition for certiorari has been denied, or
9 (3) the decision of the court has been affirmed by the
10 Supreme Court, then the order of the Board rendered upon
11 such rehearing shall become final in the same manner as
12 though no prior order of the Board had been rendered.

13 “(j) DEFINITION OF MANDATE.—As used in this sec-
14 tion the term ‘mandate’, in case a mandate has been recalled
15 prior to the expiration of thirty days from the date of issu-
16 ance thereof, means the final mandate.

17 “(k) PENALTY FOR VIOLATION OF ORDER.—Any
18 person who violates an order of the Board to cease and
19 desist after it has become final, and while such order is in
20 effect, shall forfeit and pay to the United States a civil
21 penalty of not more than \$5,000 for each violation, which
22 shall accrue to the United States and may be recovered in
23 a civil action brought by the United States. Each separate
24 violation of such an order shall be a separate offense, ex-
25 cept that in the case of a violation through continuing

1 failure or neglect to obey a final order of the Board each
2 day of continuance of such failure or neglect shall be deemed
3 a separate offense.

4 "REPORTS

5 "SEC. 210. Not later than January 3 of each year com-
6 mencing after the effective date of this title, the Board of
7 Governors of the Federal Reserve System and the Attorney
8 General shall, respectively, make reports to the Congress con-
9 cerning the administration of their functions under this title,
10 including such recommendations as the Board and the Attor-
11 ney General, respectively, deem necessary or appropriate.
12 In addition, reports of the Board of Governors of the Federal
13 Reserve System shall include the Board's assessment of the
14 extent to which compliance with the provisions of this title,
15 and regulations prescribed thereunder, is being achieved.

16 "EFFECTIVE DATE

17 "SEC. 211. The provisions of this title shall take effect
18 July 1, 1968."

19 TITLE II—PROHIBITION OF GARNISHMENT OF 20 WAGES

21 SEC. 201. The Congress finds that garnishment of wages
22 is frequently an essential element in predatory extensions of
23 credit and that the resulting disruption of employment, pro-
24 duction, and consumption constitutes a substantial burden
25 upon interstate commerce.

1 SEC. 202. (a) No person may attach or garnish wages
2 or salary due an employee, or pursue in any court any similar
3 legal or equitable remedy which has the effect of stopping
4 or diverting the payment of wages or salary due an employee.

5 (b) Whoever violates subsection (a) of this section
6 shall be fined not more than \$1,000, or imprisoned not more
7 than one year, or both.

8 TITLE III—COMMISSION ON CONSUMER FINANCE

9 SEC. 301. ESTABLISHMENT.—There is established a bi-
10 partisan National Commission on Consumer Finance (re-
11 ferred to in this title as the “Commission”).

12 SEC. 302. MEMBERSHIP OF THE COMMISSION.—(a)
13 The Commission shall be composed of nine members, of
14 whom—

15 (1) three are Members of the Senate appointed
16 by the President of the Senate;

17 (2) three are Members of the House of Representa-
18 tives appointed by the Speaker of the House of Repre-
19 sentatives; and

20 (3) three are persons not employed in a full-time
21 capacity by the United States appointed by the Presi-
22 dent, one of whom he shall designate as Chairman.

23 (b) A vacancy in the Commission does not affect its
24 powers and may be filled in the same manner as the original
25 appointment.

1 (c) Five members of the Commission constitute a
2 quorum.

3 SEC. 303. COMPENSATION OF MEMBERS.—(a) Mem-
4 bers of Congress who are members of the Commission shall
5 serve without compensation in addition to that received for
6 their services as Members of Congress; but they shall be
7 reimbursed for travel, subsistence, and other necessary ex-
8 penses incurred by them in the performance of the duties
9 vested in the Commission.

10 (b) Each member of the Commission who is appointed
11 by the President may receive compensation at a rate of
12 \$100 for each day he is engaged upon work of the Com-
13 mission, and shall be reimbursed for travel expenses, includ-
14 ing per diem in lieu of subsistence as authorized by law
15 (5 U.S.C. 5703) for persons in the Government service
16 employed intermittently.

17 SEC. 304. DUTIES OF THE COMMISSION.—(a) The
18 Commission shall study and appraise the functioning and
19 structure of the consumer finance industry. The Commission,
20 in its report and recommendations to the Congress, shall
21 include treatment of the following topics:

22 (1) The adequacy of existing arrangements to pro-
23 vide consumer financing at reasonable rates.

24 (2) The adequacy of existing supervisory and reg-

1 ulatory mechanisms to protect the public from unfair
2 practices.

3 (3) The desirability of Federal chartering of con-
4 sumer finance companies, or other Federal regulatory
5 measures.

6 (b) The Commission may make interim reports, and
7 shall make a final report of its findings, recommendations,
8 and conclusions to the President and to the Congress by
9 December 31, 1969.

10 SEC. 305. POWERS OF THE COMMISSION.—(a) The
11 Commission, or any three members thereof as authorized
12 by the Commission, may conduct hearings anywhere in
13 the United States or otherwise secure data and expres-
14 sions of opinions pertinent to the study. In connection there-
15 with the Commission is authorized by majority vote

16 (1) to require, by special or general orders, cor-
17 porations, business firms, and individuals to submit in
18 writing such reports and answers to questions as the
19 Commission may prescribe; such submission shall be
20 made within such reasonable period and under oath or
21 otherwise as the Commission may determine;

22 (2) to administer oaths;

23 (3) to require by subpoena the attendance and testi-
24 mony of witnesses and the production of all documentary
25 evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above; and

(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to require directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent

1 agencies of the Government are hereby authorized and di-
2 rected to cooperate with the Commission and to furnish
3 all information requested by the Commission to the extent
4 permitted by law.

5 (d) The Commission is authorized to enter into con-
6 tracts with Federal or State agencies, private firms, in-
7 stitutions, and individuals for the conducting of research
8 or surveys, the preparation of reports, and other activities
9 necessary to the discharge of its duties.

10 (e) When the Commission finds that publication of
11 any information obtained by it is in the public interest and
12 would not give an unfair competitive advantage to any
13 person, it is authorized to publish such information in the
14 form and manner deemed best adapted for public use,
15 except that data and information which would separately
16 disclose the business transactions of any person, trade
17 secrets, or names of customers shall be held confidential
18 and shall not be disclosed by the Commission or its staff.
19 The Commission shall permit business firms or individuals
20 reasonable access to documents furnished by them for the
21 purpose of obtaining or copying such documents as need
22 may arise.

23 (f) The Commission is authorized to delegate any of
24 its functions to individual members of the Commission or to

1 designated individuals on its staff and to make such rules
2 and regulations as are necessary for the conduct of its busi-
3 ness, except as herein otherwise provided.

4 SEC. 306. ADMINISTRATIVE ARRANGEMENTS.—(a)
5 The Commission is authorized, without regard to the pro-
6 visions of title 5, United States Code, relating to appoint-
7 ments in the competitive service or to classification and
8 General Schedule pay rates, to appoint and fix the compen-
9 sation of an executive director and the executive director,
10 with the approval of the Commission, shall employ and fix
11 the compensation of such additional personnel as may be
12 necessary to carry out the functions of the Commission, but
13 no individual so appointed shall receive compensation in
14 excess of the rate authorized for GS-18 under the General
15 Schedule.

16 (b) The executive director, with the approval of the
17 Commission, is authorized to obtain services in accordance
18 with the provisions of section 3109 of title 5 of the United
19 States Code, but at rates for individuals not to exceed \$100
20 per diem.

21 (c) The head of any executive department or independ-
22 ent agency of the Federal Government is authorized to de-
23 tail, on a reimbursable basis, any of its personnel to assist
24 the Commission in carrying out its work.

1 (d) Financial and administrative services (including
2 those related to budgeting and accounting, financial report-
3 ing, personnel, and procurement) shall be provided the Com-
4 mission by the General Services Administration, for which
5 payment shall be made in advance, or by reimbursement,
6 from funds of the Commission in such amounts as may be
7 agreed upon by the Chairman of the Commission and the
8 Administrator of General Services. The regulations of the
9 General Services Administration for the collection of in-
10 debtedness of personnel resulting from erroneous payments
11 shall apply to the collection of erroneous payments made to
12 or on behalf of a Commission employee, and regulations of
13 said Administrator for the administrative control of funds
14 shall apply to appropriations of the Commission. The Com-
15 mission shall not be required to prescribe such regulations.

16 (e) Ninety days after submission of its final report, as
17 provided in section 304 (b), the Commission shall cease to
18 exist.

19 SEC. 307. AUTHORIZATION OF APPROPRIATIONS.—
20 There is hereby authorized to be appropriated such sums not
21 in excess of \$1,500,000 as may be necessary to carry out the
22 provisions of this title. Any money appropriated pursuant
23 hereto shall remain available to the Commission until the
24 date of its expiration, as fixed by section 306 (e).

TITLE IV—SEVERABILITY

SEC. 401. If any provision of this Act is judicially held to be invalid, that holding does not necessarily affect the validity of any other provision of this Act.

A BILL

To safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes.

By Mrs. SULLIVAN, Mr. GONZALEZ, Mr. MINISH,
Mr. ANNUNZIO, Mr. BINGHAM, and Mr.
HALPERN

JULY 20, 1967

Referred to the Committee on Banking and Currency

Jones, K. C. Jones, and other alltime greats.

It is regrettable that many of our large universities and colleges have moved away from athletic programs as a regular part of their curriculum. Although the need for education in America is continually on the increase, the need for a spirit of cooperation and teamwork is now in the critical stage. Let us take our young people out of a dissident atmosphere and give them direction to good outdoor and indoor activity—let us show them that America really cares and really wants the young people to enjoy this great country of ours—let us stop taking negative steps and act in a positive way, to reach down into the grass-roots of the problem of our youth.

I am today contacting President Johnson; Vice President HUBERT HUMPHREY; Speaker of the House JOHN W. MCCORMACK; Democratic House majority leader, CARL ALBERT; Republican House leader, GERALD R. FORD; Senator MIKE MANSFIELD, and Senator EVERETT DIRKSEN, asking them that they interest themselves in this type of program.

CONSUMER CREDIT PROTECTION

(Mrs. SULLIVAN asked and was given permission to address the House for 1 minute and to revise and extend her remarks and include extraneous matter.)

Mrs. SULLIVAN. Mr. Speaker, I am today introducing a comprehensive consumer credit protection bill which incorporates "truth-in-lending" legislation as one of its titles, but which also includes provisions dealing with many other problems in connection with the utilization of credit. It is a very far-reaching measure with admittedly highly controversial features.

I am being joined today by a bipartisan group of members of the Subcommittee on Consumer Affairs of the House Committee on Banking and Currency in the introduction of this bill. Not all of the cosponsors endorse all of the provisions of the proposed Consumer Credit Protection Act, but all of us agree that the subjects covered in this bill should be explored in our hearings along with the title applying to credit disclosure.

The cosponsors of the bill—all of them members of the subcommittee—are Representatives HENRY B. GONZALEZ, of Texas, JOSEPH G. MINISH, of New Jersey, FRANK ANNUNZIO, of Illinois, JONATHAN B. BINGHAM, of New York, and SEYMOUR HALPERN, of New York. Other members of the Committee on Banking and Currency, and additional Members of the House who have seen this proposed Consumer Credit Protection Act, have indicated their intention of sponsoring similar legislation, but the bill going in today, as I said, carries only the names of sponsors from the subcommittee handling the legislation.

I know there will be great interest in this legislation and in the hearings we intend to hold early next month. I want to make it clear that by including so many additional aspects of consumer credit protection in this bill, we have no intention of delaying action on truth

in lending, now that a bill on this subject has finally passed the Senate after 7 years. We do not think the Senate bill is adequate and it is our intention to strengthen it as much as possible in order to protect the consumer in the use of credit for himself or by others.

Mr. Speaker, I submit at this point in the RECORD a copy of a press release being issued at this time to explain the provisions of the proposed Consumer Credit Protection Act, as follows:

MRS. SULLIVAN INTRODUCES COMPREHENSIVE NEW BILL SAFEGUARDING CONSUMERS IN "UTILIZATION OF CREDIT"

Congresswoman Leonor K. Sullivan, Democrat, of Missouri, Chairman of the Subcommittee on Consumer Affairs of the House Committee on Banking and Currency, announced today a plan to incorporate "Truth-In-Lending" legislation into a broadly enlarged bill with bi-partisan sponsorship to "safeguard the consumer in connection with the utilization of credit."

Its "Truth-In-Lending" section duplicates the scope of the original Douglas bill, which Mrs. Sullivan has sponsored for four years on the House side of the Capitol, but with many of the technical language changes recommended by the Proxmire Subcommittee in the Senate, including the use of an "annual percentage rate" instead of "simple annual rate." It does not, however, contain the exemptions or modifications in coverage made by the bill passed by the Senate compared to the Douglas bill. Thus, it includes revolving credit and first mortgage real estate credit left out of the Senate bill.

"Required disclosure of finance costs in credit transactions is vitally important to the intelligent use of credit," Mrs. Sullivan declared. "But there are many other serious problems in connection with the use of credit than merely the need for disclosure. This bill, which other Members of the Subcommittee handling this legislation have joined me in sponsoring, touches on all of the important gaps in the protection of the consumer in connection with the use of credit. Not every co-sponsor agrees with all provisions because it is a very broad bill with many controversial sections. We are introducing it for the purpose of outlining and dramatizing the scope of this issue, and as a vehicle for hearings."

Members of the Subcommittee on Consumer Affairs co-sponsoring the measure, Mrs. Sullivan said, include: Representatives Henry B. Gonzalez of Texas, Joseph G. Minish of New Jersey, Frank Annunzio of Illinois, Jonathan Bingham of New York, all Democrats, and Seymour Halpern, Republican, of New York. Similar legislation, she said, will probably be introduced by other Members of the full Committee and of the House.

CONSUMER PROTECTION FEATURES

Mrs. Sullivan said the bill, known as the "Consumer Credit Protection Act," would cover the following areas of consumer protection in the use of credit:

1. Require full disclosure of all finance charges in terms of an annual percentage rate in credit transactions or, where applicable, in "offers to extend credit";
2. Establish a Federal ceiling of 18% on the finance charge in any extension of credit "to a natural person" (without disturbing state laws which provide lower ceilings);
3. Prohibit the garnishment of wages to satisfy debts;
4. Create a National Commission on Consumer Finance to investigate all aspects of the consumer finance industry and report to Congress by December 31, 1969, on the adequacy of existing regulatory programs and the desirability of Federal regulation or chartering of consumer finance companies.

INFLATIONARY USE OF CREDIT

In addition to the above safeguards for the consumer in his own use of credit, the bill includes two sections to protect the public from the consequences of excessive use of credit contributing to inflation, particularly in periods of national emergency.

Thus, it would restore to the Board of Governors of the Federal Reserve System standby powers, such as it exercised during World War II and part of the Korean War, to restrict or control the use of credit during a national emergency proclaimed by the President.

Another section of the bill gives to the Federal Reserve System the same powers to set margin requirements in connection with trading in commodity futures contracts that it now holds in the setting of margins for credit transactions on the stock exchanges. The purpose of this section, according to the bill, is to prevent "the excessive speculation in and the excessive use of credit for the creation, carrying, or trading in commodity futures contracts having the effect of inflating consumer prices."

Congresswoman Sullivan said that Chairman Patman of the Committee on Banking and Currency has authorized her Subcommittee on Consumer Affairs to proceed with hearings early next month on "Truth-In-Lending" and related bills, including her proposed "Consumer Credit Protection Act." Members of the Subcommittee, in addition to the co-sponsors of the new bill, are Representatives Robert G. Stephens, Jr., of Georgia, and Richard T. Hanna, of California, Democrats; Representatives Florence P. Dwyer of New Jersey, Paul A. Fino of New York, Chalmers P. Wylie of Ohio, and Lawrence G. Williams of Pennsylvania, Republicans.

OTHER ISSUES NOT TO DELAY TRUTH IN LENDING

"Nearly all of the Members of my Subcommittee have indicated their strong support for effective 'Truth-In-Lending' legislation," Congresswoman Sullivan declared. "But I think there is general agreement also that disclosure of finance charges is not, in and of itself, sufficient to protect millions of consumers from the depredations of loan sharks or the tragic consequences of overuse of credit by many families misled into undertaking credit obligations they cannot handle."

"Personal bankruptcies reflect this increasing problem. We have never held hearings on consumer credit problems and so we want our hearings to be broad enough and complete enough to cover the full extent of the consumer credit issue. My own study convinces me that the bill which I have prepared deals realistically with urgent problems which requires Federal legislation for effective solutions."

"I hope we can enact the 'Consumer Credit Protection Act' with whatever modifications the hearings dictate, but I certainly want to make it clear that the controversy which is bound to develop over some features of this legislation will not be permitted to stymie effective 'Truth-In-Lending' legislation, now that the Senate has finally, after seven years, passed a credit disclosure bill."

Mrs. Sullivan expressed her deep admiration for the pioneering work done by former Senator Paul H. Douglas of Illinois in originating and battling for "Truth-In-Lending" legislation. She also praised Senator William Proxmire of Wisconsin for his leadership and hard work in winning Senate passage this year for the first time of any bill on this subject.

"Our purpose is to try to build a much stronger consumer protection measure on the foundation of 'Truth-In-Lending' legislation, including a section on 'Truth-In-Credit Advertising' which originated with Chairman Warren G. Magnuson of the Senate Commerce Committee which we have incorporated into this bill. Other sections of

this bill grew out of studies by the Subcommittee on Consumer Affairs and the full Committee."

SUMMARY OF THE PROPOSED CONSUMER CREDIT PROTECTION ACT

TITLE I—CREDIT TRANSACTIONS

Disclosure

This title provides for the full disclosure of the terms and conditions of credit in connection with consumer credit transactions. Disclosure requirements provided for are applicable both with regard to the advertisement of credit in connection with a sale or a loan, as well as in the conduct of an actual credit transaction. In advertisement, as well as credit transactions coming within the scope of this act, the creditor is required to provide the buyer or borrower with a statement of the cash sale price, the finance charge, and the annual percentage rate applicable to the credit transaction. In addition to the foregoing, other detailed information must be provided to the consumer in connection with the advertisement or credit transaction involved.

Maximum finance charge

In addition to such disclosure, the act provides that a creditor may neither demand nor accept a finance charge in connection with the extension of credit which exceeds the maximum rate permitted under applicable State law or 18 percent per annum, whichever is less.

Responsible agency

Regulatory authority to implement the provisions of this title are vested in the Board of Governors of the Federal Reserve System. In addition to authority to issue regulations, the Board is given powers of administrative enforcement to secure compliance with the act. In addition to such administrative enforcement, individuals to whom information is required to be given under the act are authorized to bring civil suit where such information has not been properly provided.

Confession of judgment

With regard to credit transactions coming within the scope of this title, the Act prohibits the use of confessions of judgment (cognovit notes), whereby a debtor waives his rights to full legal process in the creditor's attempt to obtain legal judgment against him.

Criminal penalties

Violation of the act may further result in the imposition of criminal penalties when suit is brought by the United States Attorney General.

Regulation of credit for commodity futures trading

For the purpose of preventing the speculation in, and the excessive use of credit for, the creation, carrying, or trading in commodity futures contract, tending to inflate consumer prices, the act provides that the Board of Governors shall issue regulations governing the amount of credit that may be extended or maintained on any such contracts.

Emergency control of consumer credit

This title further provides that whenever the President determines that a national emergency exists which necessitates such action, the Board shall issue regulations to control the extension of consumer credit.

Effective date

The act provides that this title shall take effect on July 1, 1968.

TITLE II—PROHIBITION OF GARNISHMENT OF WAGES

This title provides that the garnishment of wages is frequently an element in the predatory extension of credit and that such garnishment frequently results in the disruption of employment, production, and con-

sumption, constituting a substantial burden on interstate commerce. Accordingly, provision is made prohibiting the garnishment of wages or salary due an employee. Violation of the section subjects an individual to possible fine or imprisonment.

TITLE III—COMMISSION ON CONSUMER FINANCE

This title provides for the establishment of a bi-partisan national commission on consumer finance to be composed of nine members: 3 members from the Senate, to be appointed by the President of the Senate; 3 members of the House of Representatives, to be appointed by The Speaker; and 3 persons to be appointed by the President. The Commission is called upon to study and appraise the functioning and structure of the consumer finance industry in the United States and to report its findings, recommendations, and conclusions to the Congress and the President by December 31, 1969. The Commission is specifically called upon to include within the scope of its report and recommendations a discussion of:

"1. The adequacy of existing arrangements to provide consumer financing at reasonable rates.

"2. The adequacy of existing supervisory and regulatory mechanisms to protect the public from unfair practices.

"3. The desirability of Federal chartering of consumer finance companies, and other regulatory measures."

MILITARY POTENTIAL OF SST

(Mr. RYAN asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous matter.)

Mr. RYAN. Mr. Speaker, the distinguished chairman of the House Armed Services Committee stated, on July 18 in support of the funds for the development of a supersonic transport that this plane will have great military value. He said:

I do not care who makes a statement to the contrary notwithstanding.

By this I take it he refers to the comments of the Secretary of Defense.

According to Aviation Daily, February 23, 1967, Secretary of Defense McNamara said, for example, in testimony before the Senate Armed Services Committee on the fiscal year 1967 supplemental defense budget:

Except in the most indirect way, I anticipate no military benefits from the production of the supersonic transport . . . I see very little benefit even of a spin-off character to military technology and military programs.

The House has already taken action on H.R. 11456, the appropriation bill for the Department of Transportation, in which the funds for SST development are included, but the matter is yet to come before the Senate. I think it would be useful to clarify for the record, and for the consideration of Members of other body, the military potential of this aircraft.

On March 15, 1967, Secretary of the Air Force, Harold Brown, testified before the House Appropriations Committee on the fiscal year 1968 defense budget as follows at page 768:

Some of the technology having to do with structures, engines, and so on, which was learned in the United States supersonic transport program, will be applicable in a supersonic bomber development, and vice versa, but neither one really provides any

substantial help toward the engineering development and detailed design of the other.

The technology actually has been flowing the other way, because the supersonic transport design, which the United States is now going ahead with, includes two things. First, a variable sweep wing which is an outgrowth of the work done on the F-111 and second, titanium from the Air Force YF-12A program. The B-70 used stainless steel construction, which probably will not be very much used in the SST. We did, however, use a good amount of a type of stainless steel honeycomb in the B-70 which may be adaptable to various structures such as doors and panels on the SST. So, the technology has really flowed mostly the other way, Mr. Andrews, with the YF-12A, B-70, and F-111 contributing to the U.S. supersonic transport.

Prior to the occasion of this testimony, Secretary Brown sent a letter to the chairman of the House Committee on Appropriations dated March 7, 1967, explaining the situation in greater detail. In the course of this letter he said:

Our studies have shown that even when no development costs, other than modifications, are charged to a bomber version of the SST, the cost per weapon delivered to the target is greater than could be achieved with a new advanced bomber of quite different characteristics, even though complete development costs would have to be paid for the latter.

The Secretary's letter states at another point:

The SST provides, at considerable cost, a capability to operate in a flight regime that does not represent the best means of penetrating projected enemy defenses.

And finally:

The Air Force design for an advanced bomber has the required performance and payload in a vehicle about one half the size of the proposed SST. Although the advanced bomber would have a supersonic speed capability, its top speed would avoid the more severe environmental problems of the SST. Its reduced weight and complexity result in lower procurement and operating costs. This together with its increased effectiveness (range, dispersal capability, reduced radar cross section, ride quality at low altitude, et cetera) provides the advanced bomber with a very substantial overall cost effectiveness advantage over a modified version of the SST.

Mr. Speaker, it is not clear why the United States is so anxious to rush into a costly program of SST development involving many unsolved problems and great economic risk on the strength of a nebulous national prestige. It may well be that our prestige will lose a great deal more if we show ourselves to be a nation whose commitments and investments are based largely on a hysteria about our "image"—largely and simply because the British and French are building the Concorde—unable to wait and learn from their experience—and unable to take the advice of a multitude of technical and economic experts within our own country as to the inadvisability of this effort. It may well be that the commercial developers of the SST could learn a great deal from the advanced aircraft planners in the Department of Defense instead of merely rushing to build a plane that is bigger and faster than the Concorde regardless of the additional problems involved, regardless of the expense, and regardless of the fact

Nov 28 1967

HOUSE

3. ESTUARINE AREAS. The Merchant Marine and Fisheries Committee reported with amendment H. R. 25, to preserve the Nation's estuarine areas (H. Rept. 989). p. H15977
4. EXPORT-IMPORT BANK. The Rules Committee reported a resolution for consideration of H. R. 6649, to amend the Export-Import Bank Act, as amended. p. H15977
5. CONSUMERS. The Banking and Currency Committee ordered reported (but did not actually report) H. R. 11601, the consumer protection bill. p. D1074
Rep. Pickle spoke on the consumer bills which are pending at various stages of the legislative process, expressed pride in what has been done, but urged further progress in this area. p. H15959
6. INTEREST RATES; TAXES. Rep. Patman said that he does not look with favor on the removal of the 6-percent statutory interest rate ceiling on Farm Credit Administration banks as proposed by H. R. 13706, and that he will offer an amendment limiting the removal of the ceiling to a 2-year period. pp. H15892, H15937-9
Rep. Widnall criticized participation certificate financing and called it a "Treasury gimmick to make the budget deficit look less than it actually is." p. H15893
Rep. Pickle said that he favors a temporary tax increase combined with expenditure reduction as necessary fiscal measures to keep interest rates from soaring and to maintain a sound economy. pp. H15959-60
Rep. Pelly said he favors plugging tax loopholes instead of an across-the-board tax increase. pp. H15952-3
Rep. Watts commended and inserted a speech by Assistant Secretary of the Treasury Surrency "The United States Income Tax System - The Need For Full Accounting." pp. H15933-5
Rep. Ashbrook inserted an editorial critical of deficit spending. pp. H15945-6
17. MEAT IMPORTS. Rep. Talcott inserted portions of a newspaper column which he said "dramatically discloses the attitude of foreign countries regarding their own meat industry," and said "If our Federal Government would only be equally concerned about our meat producers and meat consumers." p. H15950
18. EMPLOYMENT. Rep. Grover inserted a speech by Rep. Curtis "Help Wanted: America's Growing Problem." pp. H15951-2

ITEMS IN APPENDIX

19. FLAMMABLE FABRICS. Speech in the House by Rep. Keith during debate on the bill to increase consumer protection against injurious flammable fabrics. pp. A5831-2
20. EMPLOYMENT. Extension of remarks of Rep. Irwin commending the administration for its efforts to involve private industry in working to find jobs for long-term unemployed. p. A5832
21. NATURAL RESOURCES. Rep. Tenzer extended his remarks to urge the preservation of the Nation's natural resources and the passage of his bill to study and preserve the Nation's estuarine areas. pp. A5838-9

22. CREDIT. Extension of remarks of Rep. Sullivan expressing her intent to fight the "weakening amendments" to consumer credit protection bill. p. A5842

BILLS INTRODUCED

23. MANPOWER. S. 2695 by Sen. Prouty, to extend title II of the Manpower Development and Training Act of 1962 through 1972; to Labor and Public Welfare Committee. Remarks of author pp. S17193-4
24. RECREATION. H. R. 14180 by Rep. Kyl, to provide for the establishment of the Lewis and Clark National Scenic Riverway; to Interior and Insular Affairs Committee.
25. WATER. H. J. Res. 937 by Rep. Morris, to approve long-term contracts for delivery of water from Navajo Reservoir in the State of New Mexico; to Interior and Insular Affairs Committee.
26. AGING. H. J. Res. 940 by Rep. Pepper, to provide that it be the sense of Congress that a White House Conference on Aging be called by the President of the United States in January 1970, to be planned and conducted by the Secretary of Health, Education, and Welfare to assist the States in conducting similar conferences on aging prior to the White House Conference on Aging; to Education and Labor Committee.

BILL APPROVED BY THE PRESIDENT

27. LIBRARY SERVICES. H. R. 13048, to make certain technical amendments to the Library Services and Construction Act. Approved Nov. 24, 1967 (Public Law 90-154).

COMMITTEE HEARINGS NOV. 29:

Expenditure reductions and controls, H. Ways and Means (Schultze, BB; Fowler, Treasury; and Martin, Federal Reserve, to testify).
Wildlife conservation bills, H. Merchant Marine and Fisheries (exec).
Poverty program, conferees (exec).

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DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued December 14, 1967
For actions of December 13, 1967
90th-1st; No. 204

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HIGHLIGHTS: Senate committee reported supplemental appropriation bill. House received conference report on foreign aid appropriation bill. Several Reps. introduced and discussed measure urging embargo on meat imports from countries with foot-and-mouth disease.

HOUSE

- 1. FOREIGN AID.** Received, and several Representatives discussed, the conference report on H. R. 13893, the foreign aid appropriation bill (H. Rept. 1044). pp. H16889-90, H16844, H16927-8
- 2. EDUCATION.** Representatives Gibbons and Ashbrook were appointed as additional conferees on H. R. 7819, the elementary and secondary education bill. p. H16839

3. OIL AND GAS LEASES. Conferees were appointed on S. 1367, to soften, in certain circumstances, some of the rigors of present law providing for automatic termination of a Federal oil and gas lease and thus to obviate the need for congressional examination of numerous bills to relieve individual lessees from the consequences of failure to make such payment. Senate conferees have not been appointed. p. H16839
4. CONSUMERS. The Banking and Currency Committee reported with amendment H. R. 11601, the consumer protection bill (H. Rept. 1040). p. H16966
5. COTTON; LANDS. Conferees were appointed on H. R. 10864, to authorize the Secretary of Agriculture to convey certain lands in Saline Co., Ark., to the Dierks Forests, Inc., and to provide a one-price program for extra-long-staple cotton. pp. H16845-6
Rep. Cabell objected to Rep. Poage's request that the Agriculture Committee be discharged from further consideration of S. 974, to authorize the Secretary of Agriculture to convey certain lands to the city of Glendale, Ariz. p. H16846
6. SOCIAL SECURITY. Agreed, 390-3, to the conference report on H. R. 12080, the social security bill (pp. H16853-81). Rejected an amendment by Rep. Utt to recommit the conference report to the committee (p. H16879).
7. LEGISLATIVE ACCOMPLISHMENTS. Rep. Smith, Iowa, summarized the activities of Congress for the current year. pp. H16954-6
Rep. McCormack praised and inserted the President's speech before the AFL-CIO convention, and Rep. Gerald Ford criticized the speech. pp. H16840-2
8. PAY RAISE. Rep. Hanley praised the new pay bill as a "landmark in pay legislation." pp. H16945-6
9. FOOD FOR INDIA. Rep. Devine inserted a letter from a constituent, now in India, critical of the administration of the food program in India. p. H16909
10. ECONOMY. Rep. Holifield stated that the economy of "This country is not on the downgrade." p. H16843
11. EXPENDITURES. Rep. Mills expressed his views on the need for direct expenditure controls. pp. H16890-2
12. AIR POLLUTION. Rep. Kupferman inserted an article, "Cleaning Up Our City Air." pp. H16910-2
13. FOOT-AND-MOUTH DISEASE. Rep. Albert inserted this Department's statement setting forth the steps which are being taken to assure that the outbreak of foot-and-mouth disease be kept out of the U. S. pp. H16952-3
14. APPROPRIATIONS. The committee report on H. R. 14397, the supplemental appropriation bill for fiscal year 1968, states: "The Director of the Office of Economic Opportunity testified that the appropriation finally enacted in the accompanying bill will be the amount that the Office will plan its programs within for the full year; in other words, he does not anticipate asking for a supplemental appropriation for 1968. The Committee is in complete agreement with this approach. It definitely is not the intention of the Committee to supplement this appropriation at a later date."

CONSUMER CREDIT PROTECTION ACT

DECEMBER 13, 1967.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. PATMAN, from the Committee on Banking and Currency,
submitted the following

REPORT

together with

SUPPLEMENTAL AND MINORITY VIEWS

[To accompany H.R. 11601]

The Committee on Banking and Currency, to whom was referred the bill (H.R. 11601) to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by restricting the garnishment of wages and by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry, as well as consumer credit transactions generally, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows (page and line numbers refer to the bill, as reported):

Page 2, line 7, strike "section" and insert "sentence".

Page 2, after line 8, insert the following:

"SECTION 1. SHORT TITLE AND DEFINITIONS

Page 2, line 10, strike "SECTION 1."

Page 2, line 20, strike "(a)".

Page 3, line 2, strike "Significant" and all that follows down through "currency." in line 12.

Page 3, strike lines 18 through 23.

Page 5, line 1, after "all the", insert "mandatory".

Page 5, line 17, after "transaction" insert

, or the premium, not in excess of those fees and charges, payable for any insurance in lieu of perfecting the security.

Page 6, line 20, strike "203(b) and 203(c)," and insert "203(b), 203(c), and 203(d),".

Page 6, line 22, strike "For purposes" and all that follows down through line 12 on page 7.

Page 8, after line 9, insert the following:

(h) "installment open end credit plan" means an open end credit plan which has one or more of the following characteristics: (1) creates a security interest in, or provides for a lien on, or retention of title to, any property (whether real or personal, tangible or intangible), (2) provides for a repayment schedule pursuant to which less than 60 per centum of the unpaid balance at any time outstanding under the plan is required to be paid within twelve months, or (3) provides that amounts in excess of required payments under the repayment schedule are applied to future payments in the order of their respective due dates.

Page 8, line 21, strike "h" and insert "i".

Page 8, strike line 24 and all that follows down through line 13 on page 9.

Page 10, line 17, after "percentage rate", insert the following:

, unless the finance charge does not exceed \$10, and in ascertaining the applicability of this paragraph, a creditor may not divide a consumer credit sale into two or more sales to avoid the disclosure of an annual percentage rate pursuant to this paragraph.

Page 12, line 2, after "rate", insert the following:

, unless the finance charge does not exceed \$10, and in ascertaining the applicability of this paragraph, a creditor may not divide an extension of credit into two or more transactions to avoid the disclosure of an annual percentage rate pursuant to this paragraph.

Page 13, line 12, strike "annual".

Page 13, line 13, after "rate" insert "per period".

Page 14, lines 10 and 11, strike "the finance charge expressed as an annual percentage rate" and insert the following:

the rate, if any, used in computing the finance charge and, in the case of an installment open-end credit plan, the equivalent annual percentage rate.

Page 14, line 16, after "determined", insert a period and the following:

If such a balance is determined without first deducting all payments during the period, that fact and the amount of such payments shall also be disclosed.

Page 15, after line 4, insert the following:

(5) Any creditor under an open end credit transaction shall furnish any party to the transaction with a written estimate of the approximate annual percentage rate of

the finance charge on the transaction determined in accordance with regulations issued by the Board, if the party making the request specifies or identifies the repayments schedule involved and such other essential credit terms as may be prescribed in the regulations issued by the Board.

Page 16, strike line 19 and all that follows down through line 19 on page 18, and insert the following:

(i) If a creditor, in order to aid, promote, or assist directly or indirectly, any consumer credit sale, loan, or other extension of credit subject to the provisions of this section, other than an open end credit plan, states or otherwise represents in any advertisement

“(1) the rate of the finance charge, the advertisement shall state the rate of the finance charge expressed as an annual percentage rate; or

“(2) the amount of an installment payment or the dollar amount of finance charge, the advertisement shall state:

“(A) the cash price or the amount of the loan, as applicable;

“(B) the downpayment, if any;

“(C) the number, amount, and due dates or period of payments scheduled to repay the indebtedness if such credit were extended; and

“(D) the rate of the finance charge expressed as an annual percentage rate.

The provisions of this subsection shall not apply to advertisements of residential real estate except to the extent that the Board may by regulation require.”

(j) No creditor, in order to aid, promote, or assist, directly or indirectly, the extension of credit under an open end credit plan may state or otherwise represent in any advertisement any of the specific terms of that plan unless the advertisement clearly and conspicuously sets forth

“(1) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;

“(2) the method of determining the balance upon which a finance charge will be imposed;

“(3) the method of determining the amount of the finance charge (including any minimum or fixed amount imposed as a finance charge), and the annual percentage rate; and

“(4) the conditions under which any other charges may be imposed, and the method by which they will be determined.”

(k) No creditor may state or otherwise represent in any advertisement

“(1) that a specified periodic credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payments or installments for that period and in that amount; or

“(2) that a specified downpayment is required, unless the creditor usually and customarily arranges downpayments in that amount.”

(l) For the purposes of subsections (i), (j), and (k), a catalog or other multiple-page advertisement shall be considered a single advertisement if the catalog or other multiple-page advertisement clearly and conspicuously displays a credit terms table on which the information required to be stated by subsections (i), (j), and (k) is clearly set forth.

(m) The prohibitions and requirements of subsections (i), (j), (k), and (l) of this section shall apply only to a creditor or his agent directly or indirectly causing the publication or dissemination of an advertisement and not to the owner, employees, or distributors of the medium in which the advertisement appears or through which it is disseminated.

Page 21, strike lines 7 through 16.

Page 24, line 15, strike “conduct” and insert “consult”.

Page 26, line 6, after “section 203”, insert “(except sections 203(i), 203(j), and 203(k))”.

Page 28, strike line 9 and all that follows down through line 6 on page 37 and insert the following:

ADMINISTRATIVE ENFORCEMENT

SEC. 207. All of the functions and powers of the Federal Trade Commission are applicable to the administration and enforcement of this title to the same extent as if this title were a part of the Federal Trade Commission Act, and any person violating or threatening to violate any provision of this title or any regulation in implementation of this title is subject to the penalties and entitled to the provisions and immunities provided in the Federal Trade Commission Act, except as follows:

“(1) The exceptions stated in section 5(a)(6) of the Federal Trade Commission Act (15 U.S.C. 45(a)(6)) are not, as such, applicable to this title.

“(2) No bank or thrift institution is subject to the jurisdiction of the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title if the bank or institution is subject to section 5(d) of the Home Owners’ Loan Act of 1933 (12 U.S.C. 1464(d)), section 407 of the National Housing Act (12 U.S.C. 1730), or section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818). The Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation) shall enforce this title and regulations in implementation thereof with respect to banks and other institutions under their respective jurisdictions.

“(3) No common carrier subject to the acts to regulate commerce is subject to the jurisdiction of the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title. The

Interstate Commerce Commission shall enforce this title and regulations in implementation thereof with respect to such carriers.

“(4) No air carrier or foreign air carrier subject to the Federal Aviation Act of 1958 is subject to the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title. The Civil Aeronautics Board or the Federal Aviation Administration, as may be appropriate, shall enforce this title and regulations in implementation thereof with respect to any such carrier.

“(5) Except as provided in section 406 of the Act of August 15, 1921 (7 U.S.C. 227)—

“(A) no person, partnership, or corporation subject to the Packers and Stockyards Act, 1921 is subject to the jurisdiction of the Federal Trade Commission or to the provisions of that Act with respect to this title, and

“(B) the Secretary of Agriculture shall enforce this title and regulations in implementation thereof with respect to persons, partnerships, and corporations subject to the Packers and Stockyards Act, 1921.”

Page 39, line 14, strike “210” and insert “208”.

Page 40, line 2, strike “211” and insert “209”.

Page 40, line 3, strike “July 1, 1968” and insert the following:

on the first day of the ninth calendar month which begins after the date of enactment of this title, except that section 204 shall take effect immediately.

Page 40, line 6, strike “PROHIBITION” and insert “RESTRICTION”.

Page 40, strike lines 13 through 19 and insert the following:

SEC. 202. (a) Except as provided in subsection (b) of this section, not more than 10 per centum of the excess over \$30 per week, or its equivalent for any pay period of a different duration, of any wages, salary, or earnings in the form of commission or bonus as compensation for personal services may be attached, garnished, or subjected to any similar legal or equitable process or order. No court of the United States or of any State may make, execute, or enforce any order or process in violation of this section.

(b) The prohibition contained in subsection (a) of this section does not apply in the case of any debt due—

(1) under the order of any court for the support of any person; or

(2) for any State or Federal tax.

(c) The Secretary of Labor is authorized to make such regulations as may be necessary to carry out the purposes of this section. Whoever willfully and knowingly violates any regulation issued under authority of this section shall be fined not more than \$1,000, or imprisoned not more than one year, or both.

(d) The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this section.

SEC. 203. (a) No employer may discharge any employee by reason of the fact that, on one occasion, wages or other compensation due the employee for personal services have been subjected to attachment, garnishment, or any similar legal or equitable process.

(b) The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this section.

(c) Whoever willfully violates subsection (a) of this section shall be fined not more than \$1,000, or imprisoned not more than one year, or both.

SEC. 204. This title shall not be construed to annul, alter, or affect, or to exempt any creditor from complying with, the laws of any State relating to the garnishment of wages, salary, or earnings in the form of commission or bonus, as compensation for personal services in connection with credit transactions, where such laws—

(1) prohibit such garnishments or provide for more limited garnishments than are provided for in section 202(a) of this title, or

(2) prohibit the discharge of any employee by reason of the fact that, on any occasion, wages or other compensation due the employee for personal services have been subjected to attachment, garnishment, or any similar legal or equitable process.

Page 44, line 6, after "industry" insert ", as well as consumer credit transactions generally".

Page 44, line 11, strike "financing" and insert "credit".

Page 44, line 14, after "practices" insert ", and insure the informed use of consumer credit".

Amend the title so as to read:

A bill to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by restricting the garnishment of wages; and by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes.

[It should be noted that amendments adopted by the committee delete from the bill provision for an 18-percent ceiling on consumer credit transactions, the prohibition of confessions of judgment, standby consumer credit controls, and the regulation of margins on commodity futures trading.]

1. A BRIEF STATEMENT OF THE PURPOSES OF THE BILL

As set forth in its three substantive titles, the Consumer Credit Protection Act has three fundamental purposes: Title I is intended to provide the American consumer with truth-in-lending and truth-in-credit advertising by providing full disclosure of the terms and con-

ditions of finance charges both in credit transactions and in offers to extend credit. Title II restricts the garnishment of wages, which the committee finds to be a frequent element in the predatory extension of credit, resulting, in turn, in a disruption of employment, production, and consumption. Title III establishes a National Commission on Consumer Finance to study and make recommendations to the Congress and to the President on the functions and structure of the consumer finance industry, as well as consumer credit transactions generally.

DISCLOSURE OF CREDIT TERMS

Title I, the truth in lending and credit advertising title, neither regulates the credit industry, nor does it impose ceilings on credit charges. It provides for full disclosure of credit charges, rather than regulation of the terms and conditions under which credit may be extended. It is the view of your committee that such full disclosure would aid the consumer in deciding for himself the reasonableness of the credit charges imposed and further permit the consumer to "comparison shop" for credit. It is your committee's view that full disclosure of the terms and conditions of credit charges will encourage a wiser and more judicious use of consumer credit.

ADVERTISING

Since advertisement is most frequently the primary, if not the principal inducement to consumer purchases, your committee believes that the comparable standards of full disclosure should be applied to the advertisement of credit transactions. Thus, your committee's bill applies the standards of specific credit transaction. Title I of your committee's bill would provide consumers with greater knowledge of the full cost of credit to assist many families in a more satisfactory management of their credit.

GARNISHMENT

While consumer credit has enjoyed phenomenal growth over the past 20 years, so have personal bankruptcies. Title II of your committee's bill, restricting the garnishment of wages, will relieve many consumers from the greatest single pressure, forcing wage earners into bankruptcies.

CONSUMER FINANCE COMMISSION

Title III of the bill, establishing the Consumer Finance Commission, to insure that Congress will be informed with regard to other aspects of the consumer credit industry that your committee has not had an adequate opportunity to study. We are all equally aware of problems in the consumer credit field needful of such further investigation but which are currently insufficiently understood to provide a sound basis for legislative determination. The proposed Commission will provide the Congress with information it needs to be adequately informed in the vital and rapidly growing field of consumer credit.

2. LEGISLATIVE ACTION

H.R. 11601 and companion bills have been cosponsored by 26 Members of the House. Some 35 bills dealing with varying aspects of

consumer credit protection have been referred to the House Banking and Currency Committee in the current Congress.

The Consumer Affairs Subcommittee of your House Banking and Currency Committee held morning and afternoon hearings on H.R. 11601, from Monday, August 7, through Friday, August 18, 1967, at which time testimony was received from Under Secretary of the Treasury Barr; Secretary Weaver, Department of Housing and Urban Development; Secretary Wirtz, Department of Labor; Secretary Trowbridge, Department of Commerce; the Honorable Sargent Shriver, Director of the Office of Economic Opportunity; the Honorable James L. Robertson, Vice Chairman of the Board of Governors of the Federal Reserve System; Mr. Royal E. Jackson, Chief, Bankruptcy Division, Administrative Office, U.S. Courts, accompanied by Mr. James E. Moriarty, Referee in Bankruptcy, U.S. District Court, Central District of California; Mr. Clive W. Bare, Referee in Bankruptcy, Eastern District of Tennessee; Mr. Estes Snedecor, Referee in Bankruptcy, U.S. District Court, Portland, Oreg.; and Mr. Elmore Whitehurst, Referee in Bankruptcy, Northern District of Texas, Dallas, Tex.; and from the Honorable Betty Furness, Special Assistant to the President for Consumer Affairs. In addition to these public witnesses, representatives from the banking industry, retail merchants groups, trade unions, consumer groups, as well as economists and other academicians, appeared and submitted testimony. Additional statements were received and printed in the record of the hearings from Members of Congress and various private interest groups.

The full committee met in executive sessions on November 20, 21, and 22, and on November 28, 1967, ordered H.R. 11601, as amended, reported favorably to the House.

In the other body hearings on S. 5, the truth-in-lending bill, took place on various dates in April, May, and June 1967. The Senate bill was reported to the Senate on June 28, 1967; passed the Senate on July 11; and was referred to the House Committee on Banking and Currency on July 12, 1967.

3. NEED FOR THE LEGISLATION

The need for consumer credit protection legislation is well documented in the 7 years of hearings courageously pioneered by former Senator Paul H. Douglas of Illinois. Your committee believes that the 2 weeks of comprehensive hearings held by the Consumer Affairs Subcommittee of the House Banking and Currency Committee added substantially to the weight of the evidence demonstrating the need for full disclosure of the terms and conditions of credit, as well as the additional consumer credit protection provisions included in H.R. 11601.

President Johnson's message on American consumer protection, of February 16, 1967, and on urban and rural poverty, of March 15, 1967, add significant and eloquent testimony to the need for this legislation. In his American consumer protection message, the President stated:

TRUTH IN LENDING

Consumer credit has become an essential feature of the American way of life. It permits families with secure and growing incomes to plan ahead and to enjoy fully and

promptly the ownership of automobiles and modern household appliances. It finances higher education for many who otherwise could not afford it. To families struck by serious illness or other financial setbacks, the opportunity to borrow eases the burden by spreading the payments over time.

Because of these benefits, consumers rely heavily on credit. Outstanding consumer credit today totals \$95 billion; \$75 billion takes the form of installment credit. The interest costs on consumer credit alone amounted to nearly \$13 billion in 1966.

The consumer has the right to know the cost of this key item in his budget just as much as the price of any other commodity he buys. If consumers are to plan prudently and to shop wisely for credit, they must know what it really costs.

In many instances today, consumers do not know the costs of credit. Charges are often stated in confusing or misleading terms. They are complicated by "add-ons" and discounts and unfamiliar gimmicks. The consumer should not have to be an actuary or a mathematician to understand the rate of interest that is being charged.

As a matter of fair play to the consumer, the cost of credit should be disclosed fully, simply, and clearly.

Now that the right of consumers to be fully informed is protected when they shop in the supermarkets, the time has come to protect that right for shoppers who seek credit.

I recommend the Truth-in-Lending Act of 1967 to assure that, when the consumer shops for credit, he will be presented with a price tag that will tell him the percentage rate per year that is being charged on his borrowing.

We can make an important advance by incorporating the wisdom of past discussions on how the costs of credit can best be expressed. As a result of these discussions, I recommend legislation to assure—

Full and accurate information to the borrower; and

Simple and routine calculations for the lender.

This legislation is urgently needed to—

Close an important gap in consumer information.

Protect legitimate lenders against competitors who misrepresent credit costs.

The Truth-in-Lending Act of 1967 would strengthen the efficiency of our credit markets, without restraining them. It would allow the cost of credit to be freely determined by informed borrowers and responsible lenders. It would permit the volume of consumer credit to be fully responsive to the growing needs, ability to pay, and aspirations of the American consumer.¹

In his message on urban and rural poverty, the President stated with regard to the problem of wage garnishment:

WAGE GARNISHMENT

Hundreds of workers among the poor lose their jobs or most of their wages each year as a result of garnishment

¹ Message from the President of the United States transmitting recommendations for consumer protection in the fields of credit, investments, health, meat inspection, hazards in the home, electric power reliability, and natural gas pipeline safety, 90th Cong., first sess., H. Doc. No. 57, pp. 3-4. (February 16, 1967.)

proceedings. In many cases, wages are garnished by unscrupulous merchants and lenders whose practices trap the unwitting workers.

*I am directing the Attorney General, in consultation with the Secretary of Labor and the Director of the Office of Economic Opportunity, to make a comprehensive study of the problems of wage garnishment and to recommend the steps that should be taken to protect the hard-earned wages and the jobs of those who need the income most.*²

In reporting H.R. 11601, the Consumer Credit Protection Act, your committee believes it is recommending a reasonable bill designed to meet these urgent needs. It is a bill both practicable and workable to the credit and retail industries, while, at the same time, providing consumers with needed protection in their credit transactions.

4. WHAT THE BILL WOULD DO

As previously indicated, the bill reported by your committee contains three substantive titles: Title I deals with truth-in-lending and truth-in-credit advertising; title II is concerned with mitigating the harsh and burdensome effects on both employers and employees of the garnishment of employees' wages; and title III would establish a National Consumer Finance Commission.

TITLE I—TRUTH IN LENDING AND CREDIT ADVERTISING SIZE OF CONSUMER CREDIT

The growth of consumer credit since 1945 has been at a rate of 4½ times greater than the growth rate of our economy as a whole. At the end of 1945 consumer credit amounted to \$5.6 billion. As of March of 1967, the total amount of consumer credit was estimated to have climbed to \$92.5 billion. As of September 1967, total consumer credit had jumped to \$95.886 billion. Thus, today the size of total consumer debt is over 17 times as great as it was in 1945.

Of this \$95.8 billion, \$76 billion is represented by installment credit. The largest single element consists of over \$31 billion in automobile paper, which accounts for over 30 percent of consumer credit.

Another rapidly growing form of credit consists of open end or revolving credit. Open end credit plans include those plans whereunder credit transactions are entered into from time to time, payments are made from time to time, and finance charges are computed periodically on the unpaid balance. Approximately \$3.5 billion in revolving credit was estimated as outstanding in March of 1967. As of September 1967, the Federal Reserve Board estimates that revolving credit has reached \$5.3 billion. The great bulk of this is represented by department store and mail-order revolving credit charge accounts, although recently an ever-increasing number of commercial banks have moved into the revolving credit field.

Currently, American families are paying approximately \$13 billion a year in interest and service charges for consumer credit. This is about as great as the Federal Government itself pays for interest on the national debt.

The following tables will illustrate the present size of consumer credit and its growth over the last 30 years:

² Message from the President of the United States transmitting recommendations on urban and rural poverty, 90th Cong., first sess., H. Doc. No. 88, p. 10. (March 15, 1967.)

TABLE 1.—TOTAL CONSUMER CREDIT
[In millions of dollars]

End of period	Total	Installment			Noninstallment					
		Total	Automobile paper	Other consumer goods paper	Repair and modernization loans ¹	Personal loans	Total	Single-payment loans	Charge accounts	Service credit
1939	7,222	4,503	1,497	1,620	298	1,088	2,719	787	1,414	518
1941	9,172	6,085	2,458	1,929	376	1,322	3,087	845	1,645	597
1945	5,665	2,462	1,455	816	182	1,009	3,203	746	1,612	845
1960	55,028	42,832	17,688	11,525	3,139	10,480	13,196	4,507	5,329	3,360
1961	57,678	43,527	17,223	11,857	3,191	11,256	14,151	5,136	5,324	3,691
1962	63,165	48,034	19,540	12,605	3,246	12,643	15,130	5,456	5,684	3,990
1963	70,461	54,158	22,433	13,856	3,405	14,464	16,303	6,117	5,871	4,315
1964	78,442	60,548	25,195	15,593	3,532	16,228	17,894	6,954	6,300	4,640
1965	87,884	68,565	28,843	17,693	3,675	18,354	19,319	7,882	6,746	4,891
1966	94,786	74,656	30,961	19,834	3,751	20,110	20,130	7,844	7,144	5,142
1967 (March)	92,519	73,591	30,527	19,369	3,648	20,047	18,928	7,769	5,809	5,350
1967 (September) ²	95,886	76,039	31,269	19,914	3,742	21,087	19,847	8,179	6,387	5,281

¹ Holdings of financial institutions; holdings of retail outlets are included in "other consumer goods paper."
² September 1967 figures are estimates supplied by the Board of Governors of the Federal Reserve System.

Note.—Consumer credit estimates cover loans to individuals for household, family, and other personal expenditures, except real estate mortgage loans. For back figures and descriptions of the data, see "Consumer Credit," sec. 16 (new) of "Supplement to Banking and Monetary Statistics," 1965, and May 1966 Bulletin.

Source: Federal Reserve Bulletin, p. 834 (May 1967).

TABLE 2.—INSTALLMENT CREDIT
[In millions of dollars]

End of period	Total	Financial institutions					Retail outlets						
		Total	Commercial banks	Sales finance companies	Credit unions	Consumer finance ¹	Other ¹	Total	Department stores ²	Furniture stores	Appliance stores	Automobile dealers ³	Other
1939-----	4,503	3,065	1,079	1,197	132	-----	657	1,438	354	439	183	123	339
1941-----	6,085	4,480	1,726	1,797	198	-----	759	1,605	320	496	206	188	395
1945-----	2,462	1,776	745	300	102	-----	629	686	131	240	17	28	270
1960-----	42,832	37,218	16,672	11,472	3,923	3,670	1,481	5,615	2,414	1,107	333	359	1,402
1961-----	43,527	37,935	17,008	11,273	4,330	3,799	1,525	5,595	2,421	1,058	293	342	1,481
1962-----	48,034	41,782	19,005	12,194	4,902	4,131	1,550	6,252	3,013	1,073	294	345	1,527
1963-----	54,158	47,405	22,023	13,523	5,622	4,590	1,647	6,753	3,427	1,086	287	328	1,625
1964-----	60,548	53,141	25,094	14,762	6,458	5,078	1,749	7,407	3,922	1,152	286	370	1,677
1965-----	68,565	60,273	29,173	16,138	7,512	5,606	1,844	8,292	4,488	1,235	302	447	1,820
1966-----	74,656	65,565	32,155	16,936	8,549	6,014	1,911	9,091	(⁴)	(⁴)	(⁴)	490	(⁴)
1967 (Mar.)-----	73,591	65,006	32,068	16,593	8,485	5,951	1,909	8,585	(⁴)	(⁴)	(⁴)	486	(⁴)
1967 (Sept.) ⁵ -----	76,039	64,376	33,637	16,701	9,026	6,067	1,945	8,663	(⁴)	(⁴)	(⁴)	507	(⁴)

¹ Consumer finance companies included with "other" financial institutions until 1950.

² September 1967 figures are estimates supplied by the Board of Governors of the Federal Reserve System.

³ Includes mail-order houses.

⁴ Automobile paper only; other installment credit held by automobile dealers is included with "other" retail outlets.

⁵ Not available.

See also note to table above.

Source: Federal Reserve bulletin, p. 834 (May 1967).

PRESENT DISCLOSURE PRACTICES

Today the consumer is faced with a number of credit disclosure practices, most of which are not directly comparable to one another. With respect to rate, some creditors employ an "add on" rate, which is based on the original balance of the obligation as opposed to the declining balance. This has the effect of understating the simple annual rate by approximately 50 percent.

Other segments of the credit industry, such as credit unions and small loan companies employ monthly rates. Although for some it is a simple matter to multiply the monthly rate by 12, the evidence before the committee indicates that many people are not aware of the true cost of credit when it is expressed on a monthly basis.

Other creditors add a number of additional fees or charges to the basic finance charge, such as credit investigation fees, credit life insurance, and various "service" charges. This permits a creditor to quote a low rate while actually earning a higher yield through the additional fees and charges.

Other creditors make no disclosure of a rate. In this case the consumer would have to compute the actual rate himself if he desired to compare the credit with other alternative sources of credit. Although most creditors do disclose the dollar cost of credit, testimony before the committee has revealed that there are many creditors who quote only a weekly or monthly installment charge. When this is done the consumer has absolutely no idea of the amount of the finance charge or the rate.

The end result of these inconsistent and noncomparable practices is confusion in the public mind about the true costs of credit. A recent survey asked 800 families to estimate the rate of finance charge they were paying on their consumer debts.¹ The average estimate was approximately 8 percent, although the actual average rate paid was almost 24 percent or nearly three times higher.

In large part, these different practices have arisen out of historical circumstances. Although many of these early difficulties with laws have been overcome, the devices originally designed to get around the usury problem have now become imbedded in industry practice. Significantly, no one segment of the industry feels it can afford to reform itself by disclosing an annual percentage rate without incurring a competitive disadvantage. Clearly, the only solution is to require by legislation that all creditors use the same method in computing and quoting finance charges including a statement of the appropriate percentage rate.

The committee believes that by requiring all creditors to disclose credit information in a uniform manner, and by requiring all additional mandatory charges imposed by the creditor as an incident to credit be included in the computation of the applicable percentage rate, the American consumer will be given the information he needs to compare the cost of credit and to make the best informed decision on the use of credit.

TWO EXCEPTIONS TO ANNUAL RATE DISCLOSURE

Two exceptions to annual rate disclosure in credit transactions are incorporated in amendments to H.R. 11601 adopted by the committee.

¹ Juster and Shay, "Consumer Sensitivity to Finance Rates: An Empirical and Analytical Investigation" (1964).

Revolving credit

Since revolving credit was the most discussed subject under consideration by the committee, it is singled out in this report for special treatment. The basic disclosure concept contained in the proposed legislation is to require lenders and merchants to provide consumers with a statement of the "finance charge" imposed by the creditor in connection with the particular consumer credit transaction. In addition to the statement of the finance charge in dollars, the creditor is generally required to state the finance charge as an annual percentage rate; however, your committee believes, with regard to "open-end credit plans" or "revolving charge accounts" as they are more commonly known, that the statement of an annual percentage rate would not accurately reflect the credit charges actually imposed upon such transactions. Your committee believes that while the monthly rate applied to a revolving charge account may be 1.5 percent a month, the particular schedule of payments and purchases, combined with the so-called free ride, does not justify the expression of that monthly rate as an annual rate of 18 percent per year. Revolving charge accounts most frequently contain a "free ride" during which no finance charge is imposed. This period may vary from 30 to 60 days. This type of plan was originally created to meet the requirements of various segments of the retail industry. It permits a customer a wide variety of options in the use of his account including: (1) Whether he will take advantage of the "free ride," (2) over what period of time the account will be paid, and for the most part the amount paid during a given period, (3) the amount and number of additional purchases that can be added to the account at any time.

The committee discussed at length the view that the revolving credit exemption is premised on confusion of the concepts of *yield* as opposed to *rate*. This view suggests if the nominal monthly rate applied is 1.5 percent, the nominal annual rate applied must be 18 percent, although the yield to the creditor may be more or less than the nominal annual rate. In this view disclosure of the nominal annual rate is necessary to assist the consumer in "comparison shopping" for credit under a revolving charge account, as opposed to other forms of credit transactions.

The amendment adopted by your committee, nevertheless, requires the disclosure of the periodic or monthly rate in connection with revolving charge account transactions.

Although the committee could not come to a unanimous conclusion on this issue, they did agree that safeguards should be provided to insure that existing forms of installment credit will not be induced to convert to a revolving credit merely to escape the disclosure of an annual percentage rate. The committee also felt that stores using revolving credit to merchandise large purchases should not be given a competitive advantage over firms which sell similar items on an installment contract basis and are subject to the annual rate disclosure provisions of the act.

For these reasons, your committee recommends that those forms of revolving credit plans which are similar to installment contract type credit are subject to the annual rate disclosure requirement while ordinary revolving credit plans are exempted from the annual rate disclosure requirement.

The installment type credit plan would be defined on the basis of the maintenance of a security interest, or the time required to dis-

charge the obligation, or the extent to which advance payments can be applied to future payments. A more detailed description of the definition of installment open-end credit can be found in the section-by-section summary.

The committee is hopeful that this distinction will provide comparability in the area of credit where it is most needed and meaningful and will prevent any wholesale conversion of installment credit to open-end credit in order to avoid disclosure of an annual percentage rate.

One of the criteria used to distinguish an installment credit plan from an open end credit plan deals with the time required for repayment. The amendment provides that if less than 60 percent of the debt is payable in 1 year the plan should be considered to be an installment open end credit plan subject to annual rate disclosure. This provision would exempt most short term revolving credit plans from the annual rate disclosure provisions but would include longer term revolving credit plans. The committee recognized the 60-percent provision will require some existing forms of revolving credit to disclose an annual percentage rate. It is the best judgment of the committee that 60 percent represents a reasonable division between extended-payment and short term revolving credit.

With the cutoff point at 60 percent, a creditor would have to require that approximately one-tenth of the preceding month's ending balance be repaid each month in order to avoid annual rate disclosure. For example, where you have a beginning balance of \$500, a requirement that 10 percent of the preceding month's ending balance be paid each month, and a monthly finance charge rate of 1.5 percent to be applied to the account balance after the monthly payment has been deducted, the outstanding balance in the account would be reduced by \$331.18, or 66.2 percent of the beginning balance, during a 12-month period, a follows:

	Monthly payment (10 percent of preceding month's ending balance)	Balance after monthly payment	Finance charge (1½ percent of balance after monthly payment	Ending balance
1st month.....	\$50.00	\$450.00	\$6.75	\$456.75
2d month.....	45.68	411.07	6.17	417.24
3d month.....	41.72	375.52	5.63	381.15
4th month.....	38.12	343.03	5.15	348.18
5th month.....	34.82	313.36	4.70	318.06
6th month.....	31.81	286.25	4.29	290.54
7th month.....	29.05	261.49	3.92	265.41
8th month.....	26.54	238.87	3.58	242.45
9th month.....	24.25	218.20	3.27	221.47
10th month.....	22.15	199.32	2.99	202.31
11th month.....	20.23	182.08	2.73	184.81
12th month.....	18.48	166.33	2.49	¹ 168.82
Total for 12 months.....	382.85	-----	51.67	-----

¹ Reduction in outstanding balance is \$331.18 (\$500 minus \$168.82).

If the creditor required fixed payments which were determined by their relationship to the original amount of credit, the creditor would have to require that slightly more than 6 percent of the original balance (the total amount of the credit granted) be repaid each month if the plan were to escape annual rate disclosure. This would provide for a payment term of approximately 19 months. For example, where you have a beginning balance of \$500, a requirement that 6.1 percent thereof be paid each month, and a monthly finance charge rate of 1.5

percent to be applied to the account balance after the monthly payment has been deducted, the outstanding balance in the account would be reduced by \$305.91, or 61.2 percent of the beginning balance, during a 12-month period, as follows:

	Monthly payment (6.1 percent of \$500)	Balance after monthly payment	Finance charge (1½ percent of balance after monthly payment)	Ending balance
1st month.....	\$30. 50	\$469. 50	\$7. 04	\$476. 54
2d month.....	30. 50	446. 04	6. 69	452. 73
3d month.....	30. 50	422. 23	6. 33	428. 56
4th month.....	30. 50	398. 06	5. 97	404. 03
5th month.....	30. 50	373. 53	5. 60	379. 13
6th month.....	30. 50	348. 63	5. 23	353. 86
7th month.....	30. 50	323. 36	4. 85	328. 21
8th month.....	30. 50	297. 71	4. 47	302. 18
9th month.....	30. 50	271. 68	4. 08	275. 76
10th month.....	30. 50	245. 26	3. 68	248. 94
11th month.....	30. 50	218. 44	3. 28	221. 72
12th month.....	30. 50	191. 22	2. 87	194. 09
Totals for 12 months.....	366. 00	-----	60. 09	-----

¹ Reduction in outstanding balance is \$305.91 (\$500 minus \$194.09).

An amendment adopted by the committee, intended in part to mitigate the annual rate disclosure exemption for revolving credit, provides that upon the request of the consumer, the creditor must supply an approximate annual percentage rate of the finance charge on open-end credit transactions. Such information would be supplied by the creditor in writing to the consumer when the consumer requesting the informations specifies or identifies the repayment schedule involved and other essential credit information. Your committee expects the appropriate Federal agencies, in devising regulations to implement this amendment and in enforcing it, to assure the widest feasible availability to consumers of information about their right to obtain a statement of their finance charges expressed as an annual percentage rate.

While it is hoped that the provisions for disclosing the annual rate on installment open-end credit plans will be adequate to provide the consumer with sufficient disclosure information in connection with future developments in the fields of revolving credit, your committee is equally aware that revolving credit outstanding at the present time has reached \$5.3 billion and has climbed to slightly more than 5.5 percent of all consumer credit. Continued surveillance of this aspect of consumer credit will be required in assessing the effectiveness of the legislative scheme provided for in the proposed bill.

Ten dollar finance charge exemption

The committee adopted an amendment exempting from annual rate disclosure non-open-end transactions where the finance charge does not exceed \$10. The subject amendment would exempt from annual rate disclosure consumer credit transactions where the nominal annual rate was 18 percent and the amount of the credit involved was approximately \$100 or less. It is the view of the majority of your committee that this exemption would relieve small merchants from the burden of providing annual rate disclosure in connection with relatively small and insignificant credit transactions. Similarly, it is the committee's view that small accommodation loans are made

by lenders where the fixed expenses of the loan, if required to be disclosed at an annual percentage rate, would reflect so high a rate as to discourage lenders from making such loans. The amendment is intended to preserve that type of credit for the class of consumers obtaining such accommodation loans.

TRUTH-IN-CREDIT ADVERTISING

A distinctive feature of the bill is the establishment of criteria to insure truth-in-credit advertising. The advertising sections of the bill are basically geared to provide full disclosure where representation of credit terms are made in advertising in connection with a consumer credit transaction. The basic premise of the application of disclosure standards to credit advertising rests in the belief that a substantial portion of consumer purchases are induced by such advertising and that if full disclosure is not made in such advertising, the consumer will be deprived of the opportunity to effectively comparison shop for credit.

In the case of consumer credit transaction advertisements of other than open-end credit plan transactions, finance charges may not be stated as rates unless they are expressed as annual percentage rates. Where the amount of an installment payment or the dollar amount of a finance charge are advertised, the cash price or the amount of the loan, the downpayment, specifics of the payment schedule, and the finance charge expressed as an annual rate must also be furnished. These requirements, however, do not apply to the advertisement of residential real estate unless regulations of the Board of Governors of the Federal Reserve System should otherwise provide. It is your committee's view that the Board in consideration of the issuance of regulations under this provision, should give equal consideration to the home buyer and his needs regarding full disclosure, as well as meeting the problems of real estate developers in advertising the sale of residential real estate.

In connection with advertisement under an open-end credit plan, a creditor advertising any of the specific credit terms of that plan must set forth the conditions under which a finance charge will be made, including a statement of the "free ride" period, together with the method used in determining the balance upon which a charge will be imposed, as well as the amount of the charge in dollars and expressed as an annual percentage rate. These and other requirements of the advertising disclosure provisions apply only to the creditor and his agents and not to the media in or through which the advertisement is disseminated.

The advertising standards provided for in the committee bill are intended to be minimal. Sellers and lenders who wish to go beyond what is called for in the bill and explain their terms in more detail are encouraged to do so, provided that the details they supply are accurate and in no way misleading. Detailed explanation is particularly to be desired in the case of revolving credit plans, where differing billing methods have as much impact on consumer charges as differing rates.

Once every lender and seller is required to make the basic facts available in his advertising, those who wish to go into such additional details as average yields for all accounts will be able to do so in an atmosphere of greater consumer understanding.

REGULATIONS AND ADMINISTRATION ENFORCEMENT

All substantive regulations in connection with the full disclosure of the terms and conditions of finance charges in credit transactions or in the advertisement of credit transactions shall be issued by the Board of Governors of the Federal Reserve System. No one can deny their experience and expertise in these matters. Accordingly, it is the view of your committee that, for uniformity of application to all affected segments of the industries concerned, a single set of comprehensive regulations should be issued. Your committee anticipates that the Board of Governors will hold full and open hearings on proposed regulations providing all parties having a legitimate interest therein an adequate opportunity to present their testimony to the Board. Since administrative enforcement of the regulations will be allocated among various Federal agencies already having regulatory responsibilities over industries affected by the credit disclosure requirements of the bill, the Board should similarly provide each of these agencies with an opportunity to present its respective point of view concerning such substantive regulations. Your committee is particularly concerned that the Board afford a full and fair opportunity for testimony and comment to representatives of all affected industries and consumer groups.

Your committee believes that administrative enforcement of the credit disclosure features of the bill is fundamental to its legislative purpose. This aspect of the bill is designed to provide consumers with basic information in connection with their credit transactions so that they may effectively "comparison shop" for credit in order to obtain credit on the most favorable terms available in the marketplace. For the relatively unsophisticated consumer, particularly those of modest means, administrative enforcement will provide their only protection against unscrupulous merchants or lenders. Such consumers neither will have the means for instituting their own civil suits, nor adequate knowledge or experience to enable them to file a complaint through proper channels to obtain redress through the Attorney General in a criminal action. Administrative enforcement can provide the broad and effective application of the principle of disclosure called for in the bill. These provisions not only will protect the consumer, but will further protect the honest businessman from unethical forms of competition engaged in by some unscrupulous creditors who prey upon the poor through deceptive credit practices. Effective administrative enforcement will protect the honest merchant and insure that he is not penalized in the marketplace when he states the full cost of his credit in dollars and as an annual percentage rate.

In establishing procedures for administrative enforcement, the bill takes care not to disturb the existing lines of responsibility presently drawn within the Federal Establishment. Thus, the Federal Home Loan Bank Board will be responsible for the administration of regulations affecting savings and loan institutions; the Comptroller of the Currency for national banks; the Federal Reserve Board itself for State banks which are members of the Federal Reserve System; and the Federal Deposit Insurance Corporation for federally insured State nonmember banks. Similarly, the Civil Aeronautics Board or the Federal Aviation Agency, the Interstate Commerce Commission and the Department of Agriculture will exercise their traditional jurisdiction in this area, with the Federal Trade Commission covering the

remainder. Your committee believes there are sound and logical reasons for this division of responsibility. The Board of Governors of the Federal Reserve System is to be the central single agency for issuing all regulations on credit disclosure or on the advertising of credit to insure a single set of overall standards applicable for all forms of consumer credit, while agencies already having expertise in the affected industries will be responsible for the application of such regulations to each of those industries.

CIVIL AND CRIMINAL PENALTIES

While primary enforcement of the bill would be accomplished under the administrative enforcement section discussed above, further provision is made for the institution of civil action by an aggrieved debtor. Any creditor failing to disclose required information would be subject to a civil suit with a penalty equal to twice the finance charge, with a minimum penalty of \$100 and a maximum penalty not to exceed \$1,000 on any individual credit transaction. However, the bill specifically exempts credit advertising from the application of civil penalties. This exemption has been written into the bill by your committee to avoid the possibility that anyone, not a party to an actual transaction, seeing an advertisement not complying with the disclosure requirements of the bill would attempt to seek civil penalties.

The U.S. Attorney General is granted authority under the bill to institute criminal actions in cases where there is knowing and willful presentation of false or inaccurate information required to be disclosed under the bill. However, no person may be subject to punishment or penalty by virtue of the erroneous disclosure of a finance charge or a percentage rate greater than the amount required to be disclosed.¹

EFFECTIVE DATE

The effective date established by your committee for full disclosure of the terms and conditions of credit, including provisions applying to credit advertising, is 9 months after enactment. The Massachusetts Truth-in-Credit Act, more farreaching than title I of H.R. 11601, took effect 90 days after enactment, as did the Department of Defense credit directive requiring credit disclosure for servicemen. Nine months should provide adequate time for the Board of Governors of the Federal Reserve System to draft proposed regulations, hold appropriate hearings, and promulgate the substantive regulations so necessary for effective enforcement. Similarly, it should provide other affected Federal agencies with an appropriate period of time in which to make the necessary adjustments for their full participation in the enforcement of such regulations.

Serious questions have been raised and concern expressed with regard to the effect of this title of the bill upon State law. Section 205 of the bill clearly establishes the basic congressional policy that the bill does not preempt State consumer credit legislation unless the State laws concerned are inconsistent with the Federal law, and then only to the extent of such inconsistency. Of paramount significance is the fact that your committee has included language in the bill to make it absolutely clear that the annual percentage rate required to

¹ Provision is also made for reasonable tolerances with regard to an understatement of material required to be disclosed.

be disclosed under section 203 of the bill is not an interest rate within the meaning of the various State usury laws. The definition of the term "finance charge" includes all mandatory costs imposed by the creditor as incident to the extension of credit, including interest and various other charges incident to the extension of such credit.

In most States the legal definition of interest is substantially less extensive than the definition of finance charge under section 202 of the bill. Your committee, therefore, wishes to reiterate and reemphasize that the annual percentage rate defined in section 202 of the bill is not equivalent to the legal definition of an interest rate, but is rather a composite rate including all charges incident to credit, only one of those charges being interest.

Your committee's view in this respect is reaffirmed by the testimony of Under Secretary Barr in the course of hearings on the bill before the Consumer Affairs Subcommittee. At that time Secretary Barr stated:

There also is no justification for the claim that the annual rate disclosure requirement would prejudice lenders under State usury laws. The disclosure provisions of H.R. 11601 deal only with the annual rate of finance charges, not with interest rates. In fact, the finance charge is defined to include many charges which clearly cannot be classified as "interest." In addition, the disclosure requirements would not change the legal status of existing credit charge practices. Credit charges which now are lawful under State usury laws would not become unlawful simply by reason of being disclosed to the consumer.

TITLE II—RESTRICTION ON GARNISHMENT

Your committee finds that the garnishment of wages is frequently an essential element in the predatory extension of credit resulting in a disruption of employment, production, as well as consumption.

As originally introduced, this title of the bill would have provided for a blanket prohibition against the garnishment of wages. However, testimony received by your committee has shown that a total prohibition would unduly restrict honest and ethical creditors, while permitting those fully capable of paying just debts to escape such responsibilities. Accordingly, your committee has adopted an amendment to this title that would restrict garnishment to 10 percent of earnings above \$30 per week, while prohibiting an employer from discharging any employee by reason of a single garnishment of the employee's wages. Enforcement of these provisions is vested in the Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor.

The restriction on garnishment provided for in the bill does not apply to any debt due to a court order for the support of any person (domestic relations cases) or for State or Federal taxes.

Levels of personal bankruptcies have risen at truly alarming rates. While such bankruptcies were at a level of 18,000 per year in 1950, for the fiscal year ending June 30, 1967, personal bankruptcies had risen to 208,000. Personal debts canceled by virtue of such consumer bankruptcies reached approximately \$1.5 billion in that year. Testimony and evidence received by your committee clearly established a causal connection between harsh garnishment laws and high levels of

personal bankruptcies. Statistics obtained from the Bankruptcy Division of the Administrative Office of the U.S. Courts further corroborate this conclusion. In States such as Pennsylvania and Texas, which prohibit the garnishment of wages, the number of nonbusiness bankruptcies per 100,000 population are nine and five respectively, while in those States having relatively harsh garnishment laws, the incidents of personal bankruptcies range between 200 to 300 per 100,000 population.

Eloquent testimony on the relationship between harsh garnishment laws and levels of personal bankruptcies was received from four U.S. referees in bankruptcy: Referee James E. Moriarty, of Los Angeles, Calif.; Referee Clive W. Bare, of Nashville, Tenn.; Referee Elmore Whitehurst, of Dallas, Tex.; and Referee Estes Snedecor, of Portland, Orego. Each of these experienced referees in bankruptcy endorsed the need for restricting the garnishment of wages. Referee Snedecor, having served 31 years as a referee in bankruptcy and having been a member of the legal profession for some 57 years at the time of his testimony, stated with regard to the garnishment provisions of the bill:

I think this is the most important part of your bill. I think it would be a godsend if something can be done about it.

Endorsement of the limitations on the garnishment of wages was further received from both trade union and industrial groups. I. W. Abel, president of the United Steelworkers of America, and Pat Greathouse, vice president of the United Automobile Workers of America, speaking for the UAW and the Industrial Union Department of the AFL-CIO, testified in support of the limitations on the garnishment of wages. Further endorsement has been received from the Inland Steel Corp., the United States Steel Corp., and the Republic Steel Corp.

The limitations on the garnishment of wages adopted by your committee, while permitting the continued orderly payment of consumer debts, will relieve countless honest debtors driven by economic desperation from plunging into bankruptcy in order to preserve their employment and insure a continued means of support for themselves and their families.

TITLE III—COMMISSION ON CONSUMER FINANCE

This title of your committee's bill provides for the establishment of a bipartisan National Commission on Consumer Finance, to be composed of nine members: Three members from the Senate appointed by the President of the Senate; three members of the House appointed by the Speaker; and three public members to be appointed by the President of the United States. The Commission is called upon to study the structure and functioning of the consumer finance industry, as well as consumer credit transactions generally, and report its findings, recommendations, and conclusions to the Congress and the President by December 31, 1969. The Commission is specifically called upon to include within the scope of its report and recommendations a discussion of—

(1) The adequacy of existing arrangements to provide consumer credit at reasonable rates.

(2) The adequacy of existing supervisory and regulatory mechanisms to protect the public from unfair practices, and insure the informed use of consumer credit.

(3) The desirability of Federal chartering of consumer finance companies, or other Federal regulatory measures.

This list of stated topics is not intended to be exhaustive or exclusive of other topics and considerations falling within the scope of the Commission's concern. Your committee anticipates that the Commission's report would provide both a retrospective view of the effectiveness of the proposed bill, H.R. 11601, and a prospective view for possible future legislative action in the field of consumer credit protection.

SECTION-BY-SECTION SUMMARY

TITLE I OF THE BILL

Title I of the bill contains all of the provisions relating to the advertising of credit and the disclosure of finance charges. It is cast in the form of an amendment to the Federal Reserve Act which redesignates that act as title I and inserts at the end thereof a new title II which is entitled "Credit Transactions." The section numbers in that title, as reported by the committee, run from section 201 through section 209.

Section 201. Declaration of purpose

Declares that economic stabilization would be enhanced and that competition would be strengthened by the informed use of credit resulting from an awareness of credit costs on the part of consumers. States that the purpose of title I of the bill is to assure meaningful disclosure of credit terms to enable the consumer to compare alternative sources of credit available to him.

Section 202. Definitions

Section 202(a)—Definition of "Board."—Refers to the Board of Governors of the Federal Reserve System.

Section 202(b)—Definition of "credit."—Credit is defined as "the right granted by a creditor to defer payment of debt or to incur debt and defer its payment." The definition also makes clear that consumer credit means debt contracted by persons for personal, family, household, or agricultural purposes. The definition also makes it clear that credit means those bailment lease situations described further in section 202(c).

Section 202(c)—Definition of "consumer credit sale."—Defines credit sales whose disclosure provisions come under section 203(b) as opposed to direct loans which come under section 203(c). The definition makes it clear that the act covers only those creditors who regularly extend credit.

The definition of credit sale is also limited to include leases only if they are, in essence, disguised sale arrangements. The language covering disguised leases is nearly identical to the language used in the Uniform Conditional Sales Act and in many State retail installment sales acts to distinguish between "true" leases and other leases.

Section 202(d)—Definition of "finance charge."—Defines a finance charge as all mandatory charges imposed by a creditor and payable by an obligor as an incident to the extension of credit.

Official fees, relating to security (or premiums in lieu thereof), and taxes would not be considered part of the finance charge to be calculated in the annual rate. In addition, the definition lists those typical real estate closing costs which would be excluded.

Section 202(e)—Definition of "creditor."—Covers only those who regularly engage in credit transactions. Thus a small retailer who ex-

tended credit and charged for it in an isolated instance to accommodate a particular customer would not be covered.

Section 202(f)(1)—Definition of “annual percentage rate.”—Provides that the actuarial method shall be used for determining an annual rate. This is a well-recognized term in the mathematics of finance and has also a long judicial history under the U.S. rule (*Story v. Livingston* (38 U.S. 359) 1839).

There are at least seven methods for computing the “simple” annual rate on the declining balance and though they all produce nearly similar results, the actuarial method is considered to be the most accurate. This method assumes that a uniform periodic rate is applied to a schedule of installment payments such that the principal is reduced to zero upon completion of the payments. The annual actuarial rate is such periodic rate multiplied by the number of periods in a year.

Section 202(f)(2)—Other methods.—The Board is also given the power to prescribe other methods for determining the annual percentage rate. For example, the constant-ratio method, which is in the Massachusetts law, could be used for highly irregular contracts. It is possible to develop formulas or other shortcut procedures based on the constant-ratio method which would be much simpler than the actuarial method.

Section 202(f)(3)—Annual rate on open-end credit.—The “equivalent annual percentage rate” on open-end or revolving credit is defined as the periodic rate times the number of periods in a year. This is exactly equivalent to the actuarial rate.

Section 202(f)(4)—Bracket rates.—The definition makes it clear that creditors who determine their finance charges on the basis of a bracketed amount of credit can compute the annual percentage rate on the basis of the midpoint of the bracket. For example, assume a mail-order house charges a flat \$20 for purchases ranging between \$140 and \$150. A creditor could compute the rate for \$145 and disclose it for all transactions within the bracket, whether they were \$140.01 or \$149.99.

Section 202(g)—Definition of “open-end credit.”—This definition of open-end credit is similar to the language used in many State retail installment sales acts. The essential characteristics of open-end credit are that credit transactions are entered into from time to time, payments are made from time to time, and finance charges are computed on the unpaid balances from time to time. The definition is intended to include all plans permitting credit transactions from time to time, such as charge accounts and credit card accounts, even though the creditor does not normally compute a finance charge on the outstanding unpaid balance.

Section 202(h)—Definition of “installment open-end credit.”—This definition is necessary in view of the treatment of open-end credit plans under section 203(d).

Open-end or revolving credit plans would be exempt from the annual rate requirement except for “installment open-end credit plans.” Such plans are distinguished from ordinary revolving credit by the extended length of time permitted for repayment or the maintenance of a security interest in the merchandise. Such plans would be covered if 60 percent or less of any amount of credit was payable in 1 year, or if the seller maintained a security interest, or if accelerated payments are applied to future payments.

Section 202(i)—Definition of “organization.”—Defines an organization as a “corporation, government or governmental subdivision or agency, business or other trust, estate, partnership, or association.” Credit to such entities would be excluded from the provisions of the bill.

Section 202(j) defines “State” as including Puerto Rico and the District of Columbia.

Section 203. Disclosure of finance charges; advertising

Section 203(a)—Requirement to disclose.—This is a prefatory section setting forth the basic requirement to disclose. Disclosure need only be made to persons “upon whom a finance charge is or may be imposed.” Thus, the disclosure requirement would not apply to transactions which are not commonly thought of as credit transactions, including trade credit, open-account credit, 30-, 60-, or 90-day credit, etc., for which a charge is not made.

Section 203(b)—Disclosure on retail credit.—Retail and lender credit are treated in different subsections, 203(b) and 203(c), to emphasize the fact that Congress recognizes the difference between these two forms of credit and does not deny the validity of the time-price doctrine upon which most retail credit is legally justified. This should prevent the act from being used as an argument in any litigation challenging the time-price doctrine.

Section 203(b) requires disclosure of the cash price, the downpayment (including any trade-in), the difference between the two, and all other charges that are included in the credit but are not part of the finance charge. These other charges must be individually itemized. The finance charge must be disclosed, both in dollars and cents and, if it exceeds \$10, as an annual percentage rate. Specific provisions are included to prohibit splitting of sales to take advantage of the \$10 exemption. The number, amount, and due dates of the payments must also be disclosed, as well as any penalties for late payments.

Disclosure must be made before the credit is extended; this may be done on the contract or other document to be signed by the customer, thereby obviating any need for disclosure on a separate piece of paper. For mail or telephone sales, where there has been no personal solicitation, disclosure need not be made until the date of the first payment, if the deferred payment price and financing terms, including the annual percentage rate, are disclosed in printed material distributed to the public.

Section 203(c)—Disclosure on lender credit.—This subsection covers loans and any other form of credit other than retail credit (covered by section 203(b), just discussed) and open-end credit (to which section 203(d) applies). Financial institutions such as credit unions, savings banks, savings and loan associations, industrial banks, and consumer finance companies would fall under this subsection. Consumer loans by banks would also be covered, although bank credit card plans would come under section 203(d). The disclosure requirements for loans are essentially the same as discussed above for retail credit, but, of course, the figures to be disclosed are based on the amount of the loan instead of cash purchase price.

Section 203(d)(1)—Disclosure of open-end credit.—This subsection applies to open-end credit plans.

Section 203(d)(2)—Disclosure when the account is opened.—This provision outlines the disclosures to be made when the account is opened.

Section 203(d)(2)(A)—Conditions of plan.—This provision requires the disclosure of the basic conditions of the plan, including the time period, if any, during which no finance charge will be levied for avoiding finance charges.

Section 203(d)(2)(B)—Billing system.—There is a substantial difference in dollar cost between the opening-balance method and the adjusted-balance method of billing. This paragraph would require the disclosure of whatever method was followed.

The opening-balance method charges on the opening balance unless paid in full within 30 days, with no credit given for payments made during the month. The adjusted-balance method charges on the basis of the opening balance less any payments and returns during the month.

Section 203(d)(2)(C)—Method of determining the finance charge.—This paragraph requires disclosure of the complete method for determining the finance charge including the imposition of any fixed or minimum fees.

Disclosure of the periodic rate is also required. In addition, installment open-end credit plans, as defined by section 202(h), would disclose the annual percentage rate which would be 12 times the monthly rate.

This provision thus exempts open-end credit plans from annual percentage rate disclosure, but does not exempt installment open-end credit plans, which are distinguished from ordinary revolving credit by the extended length of time permitted for repayment or the maintenance of a security interest in the merchandise. Such plans would be covered if less than 60 percent of any amount of credit was payable in 1 year, or if the seller maintained a security interest, or if accelerated payments are applied to future payments.

The purpose of this distinction is to eliminate any incentive to convert closed-end installment credit to revolving credit merely to escape annual rate disclosure. It also provides greater comparability between installment open-end credit plans and installment closed-end credit plans.

Section 203(d)(2)(D)—Other charges.—This paragraph requires that if any charges may be imposed in addition to the finance charge, then the conditions under which they may be imposed and the method of determining them must also be disclosed.

Section 203(d)(3)—Disclosure on periodic statements.—This paragraph outlines the disclosure which must be made on the periodic statement, for each billing period, if at the end of which there is an outstanding balance.

Section 203(d)(3)(A)—Opening balance.—Requires disclosure of "the outstanding balance in the account at the beginning of the billing period."

Section 203(d)(3)(B)—Additional extensions of credit.—Requires disclosure of "the amount and date of each extension of credit during the period and, if a purchase was involved, a brief identification (unless previous furnished) of the goods or services purchased."

Section 203(d)(3)(C)—Credits to the account.—Requires disclosure of "the total amount credited to the account during the period."

Section 203(d)(3)(D)—Amount of finance charge.—Requires disclosure of “the amount of any finance charge added to the account during the period,” and a breakdown showing how much of such finance charge is due to percentage rate and how much is due to a fixed or minimum fee.

Section 203(d)(3)(E)—Rate of finance charge.—All open-end credit plans would disclose a periodic (usually monthly) rate on the periodic statements. In addition, installment open-end credit plans would disclose the equivalent annual percentage rate for the reasons outlined under section 203(d)(2)(C).

Section 203(d)(3)(F)—Balance on which finance charge is computed.—The method of determining the balance on which the finance charge is computed must be disclosed, and plans using the opening-balance method must disclose that fact as well as the amount of payments during the period.

Section 203(d)(3)(G)—Closing balance.—Requires disclosure of “the outstanding balance in the account at the end of the period.”

Section 203(d)(3)(H)—Time for avoiding finance charge.—Requires disclosure of “the date by which, or the period (if any) within which payment must be made to avoid additional finance charges.”

Section 203(d)(4)—Information previously disclosed.—This paragraph makes it clear that information previously disclosed would not have to be disclosed again where unpaid amounts are added to a bill.

Section 203(d)(5)—Approximate annual percentage rates to be supplied on request.—This paragraph requires a creditor to furnish an estimate of the approximate annual percentage rate of the finance charge for a transaction (including a specific unpaid balance), where the customer requests it and supplies the information needed to make the estimate.

Section 203(e)—Acknowledgment of disclosure.—This is a provision designed to facilitate the free flow of credit paper. It provides a bank or finance company with assurance that the original dealer has made the required disclosure and that the bank or finance company will not be liable for any failure, on the dealer’s part, to make disclosure.

Section 203(f)—Method of disclosure.—This subsection contains four provisions designed to facilitate compliance.

In order to reduce needless paperwork, disclosure need only be made to one obligor. For example, if two people (e.g. a husband and wife) are the obligors, only one copy of the contract with the required disclosure information would need to be furnished.

In order to afford greater flexibility, the required information need not be furnished in the order outlined in the act.

In order to facilitate compliance, language different from that contained in the act can be used if it conveys substantially the same meaning. This provision will ease the compliance with both State and Federal law in a single disclosure statement.

In order to provide greater clarity, additional explanation of disclosed information is expressly permitted.

Section 203(g)—Compliance with comparable State laws is compliance with Federal law.—This provision is intended to avoid duplication of Federal and State requirements, to leave State requirements untouched as much as possible, and to permit a creditor to avoid double paperwork. If he complies with the applicable State disclosure law, he need supply only the additional information required by the Federal act to comply with such Federal act. It also makes it clear the Congress does not

intend to preempt consistent State laws but merely to build upon them.

Section 203(h)—Adjustments after the contract do not violate the disclosure made.—This subsection makes it clear that where information disclosed in compliance with the act is made inaccurate as a result of subsequent events, the inaccuracy would not be a violation.

Section 203(i)—Advertising installment credit terms.—This subsection applies to advertising of credit transactions, other than open end credit plans, which are covered by section 203(j); advertisements of residential real estate are exempt except to the extent the Federal Reserve Board may by regulation require compliance. The subsection requires that an advertisement that states a rate of finance charge must also express the rate as an annual percentage rate. If the amount of an installment payment or the amount of finance charge is stated, the advertisement shall also state the cash price or loan amount; downpayment (if any); the number, amount, and due dates or period of payments scheduled; and the annual percentage rate of the finance charge.

Section 203(j)—Advertising of open end credit.—This subsection requires that if any of the specific terms of an open-end credit plan are advertised, the advertisement must also set forth the same information that section 203(d)(2) requires to be disclosed when the account is opened, with one difference. That is, section 203(j) requires that the advertisement state the annual percentage rate of the finance charge, whereas section 203(d)(2) requires disclosure of an annual rate only for installment open end credit plans.

Section 203(k)—Prohibition against advertising credit terms not customarily available.—This subsection prohibits a creditor from advertising “that a specified periodic credit amount or installment amount can be arranged” or “that a specified downpayment is required” unless he “usually and customarily” makes such arrangements.

Section 203(l)—Catalogs and other multiple-page advertisements.—A multiple-page advertisement will be treated as a single advertisement for purposes of determining compliance with the advertising requirements, if it contains a credit terms table clearly and conspicuously furnishing the required information.

Section 203(m)—Creditor, not advertising media, responsible for compliance.—This subsection makes it clear that the advertising requirements apply to the creditor or his agent who causes the advertisement to be published, and not to those who own or distribute the medium in which it appears.

Section 203(n)—Exemptions.—This subsection exempts three kinds of credit. First, credit extended for business or commercial purposes, or to governments or organizations, is exempted. Second, certain transactions by broker-dealers registered with SEC are exempted (SEC is authorized to require disclosure as to such transactions under the Securities Act of 1933). Finally, transactions where the total amount to be financed exceeds \$25,000 are exempt, except for real property transactions. This exemption will facilitate determinations of whether a transaction is exempt as being made for a business or commercial purpose. It provides an objective test so as not to require the creditor to inquire continuously as to the purpose of the credit.

Section 204. Regulations

Section 204(a)—Federal Reserve Board to prescribe regulations to implement section 203.—This subsection directs the Board of Governors of the Federal Reserve System to prescribe regulations to carry out section 203, including provisions governing the method of determining annual percentage rates, prescribing procedures for clear and conspicuous disclosure of the required information, and prescribing reasonable tolerances of accuracy.

Section 204(b)—Limitations on tolerances.—This subsection sets forth standards for the Board to follow in prescribing regulations on tolerances.

Section 204(b)(1)—Tolerance on single rate situations.—This paragraph covers simple situations where a creditor uses a single add-on, discount, or periodic rate to determine the finance charge. For example, a bank which uses a 6-percent, add-on rate would know immediately that the actuarial equivalent was 10.90 percent on a 12-month contract. A credit union would instantly know that 1 percent per month was 12 percent a year. In such cases a tolerance to the nearest quarter of 1 percent is prescribed.

Section 204(b)(2)—Tolerance for tables.—This paragraph covers more complex situations where the creditor determines the finance charge in a more complicated manner such as a combination of monthly rates (e.g. 3 percent on the first \$300; 2 percent on the next \$200; and 1½ percent on the excess); or perhaps he determines the charge by an add-on rate of 10 percent plus a fixed charge of \$10. In such cases the answer would be provided by a rate table. The bill authorizes a tolerance of 8 percent to be built into the table. This does not refer to 8 percentage points, but to 8 percent of the rate. For example, if the actual rate were 12 percent, the tolerance would be 96 percent (8 percent times 12 percent) or almost 1 percentage point. Thus, the tolerance would vary depending upon the size of the rate. For credit at 6 percent, the tolerance would be roughly one-half of a percentage point. At 12 percent it would be 1 percentage point. At 24 percent it would be 2 percentage points and so on. A provision is added to penalize any creditor who willfully uses these tolerances so as to always understate the rate. The purpose of the tolerance is to simplify the construction of tables so that they do not have to be overly detailed. With such tolerances, the disclosed rate should, in the average, be slightly over the actual rate half the time and slightly under the actual rate half the time.

Section 204(b)(3)—Tolerance for other situations.—This paragraph authorizes the Board to prescribe other reasonable tolerances for creditors who do not wish to use tables in computing the rate.

Section 204(b)(4)—Tolerance for irregular payment situations.—This paragraph would permit the Board to prescribe even greater tolerances for irregular payment situations. It is expected, for example, that the Board will permit creditors to disregard a certain number of skip payments in computing the rate. In such a case, the rate computed as though the contract were a level payment contract might vary 2 or 3 percentage points from the actual rate.

Section 204(c)—Authority to prescribe adjustments and exceptions.—This section gives the Board authority to prescribe adjustments and exceptions for any classes of transactions in order to prevent circumvention and facilitate compliance.

Section 204(d)—Consultation with other agencies.—This subsection provides that the Board may consult with any agency which in the Board's judgment exercises regulatory functions with respect to any class of creditors.

Section 204(e)—Advisory committee.—This section requires the Board to establish an advisory committee.

Section 205. Effect on State laws

Section 205(a)—Relationship of Federal law to State law.—This subsection sets forth the basic policy that the Federal statute does not preempt State legislation, and adds the further stipulation that inconsistent State laws are annulled "only to the extent of the inconsistency."

It also makes clear that Congress does not regard the annual percentage rate as an interest rate within the meaning of the usury statutes or the judicial interpretations of the time price doctrine.

Section 205(b)—Exemption when State laws are similar.—This subsection permits the Board to exempt creditors from the Federal law if State law requires similar disclosures, with adequate provisions for enforcement.

Section 206. Civil and criminal penalties

Section 206(a)—Civil penalties.—This subsection sets forth civil penalties of double the finance charge with a minimum of \$100 and a maximum of \$1,000, for failure to comply with section 203 (other than the advertising requirements). It permits a creditor to defend against a civil action by proving the failure to disclose was an unintentional error. However, the burden of proof would be on the creditor, and he would have to establish, by a preponderance of evidence, that such error was unintentional. It also permits a creditor to escape liability for an error if the creditor discovers it first and makes whatever adjustments are necessary to insure that the consumer will not pay a finance charge in excess of the amount or percentage rate actually disclosed.

Section 206(b)—Criminal penalties.—Criminal penalties of \$5,000 or 1 year imprisonment or both are specified.

Section 206(c)—Exemption for governments.—This subsection exempts the Federal Government and State and local governments from civil and criminal liabilities.

Section 206(d)—Exemption for overstatement.—Creditors would be relieved of any civil or criminal penalty for overstating the annual percentage rate.

Section 207. Administrative enforcement

Section 207—Administrative enforcement.—This section vests in various Federal agencies the responsibility for enforcing title I of the bill.

In the case of financial institutions subject to the Financial Institutions Supervisory Act of 1966, enforcement will be by the Federal Home Loan Bank Board with respect to savings and loan associations and other institutions subject to that Board's jurisdiction, by the Comptroller of the Currency with respect to national banks, by the Board of Governors of the Federal Reserve System with respect to State member banks, and by the Federal Deposit Insurance Corporation with respect to insured nonmember banks. Since any violation of title II would constitute a "violation of law" under the Financial

Institutions Supervisory Act, the procedures set forth in that act to prevent such violations will be available for enforcement of this title.

Similarly, the Interstate Commerce Commission will be responsible for enforcing compliance with the title on the part of common carriers under its jurisdiction. In the case of carriers subject to the Federal Aviation Act of 1958, enforcement will be by the Civil Aeronautics Board or the Federal Aviation Agency, as may be appropriate. And for creditors subject to the Packers and Stockyards Act, 1921, the Secretary of Agriculture will have enforcement responsibility. The Federal Trade Commission will have the responsibility of administrative enforcement of title I with regard to those industries not otherwise subject to such enforcement by the aforementioned agencies.

Section 208. Reports

Section 208—Reports.—This section requires annual reports from the Federal Reserve Board and the Attorney General on the administration of their functions under title II. The Board's report is to include its assessment of the extent to which compliance is being achieved.

Section 209. Effective date

Section 209—Effective date.—Title II will take effect 9 months after enactment, except for section 204, which will take effect immediately so that the Federal Reserve Board may begin preparation of regulations.

TITLE II OF THE BILL

As reported, this title restricts the availability of garnishment as a creditors' remedy.

Section 201 states that—

Congress finds that garnishment of wages is frequently an essential element in predatory extensions of credit and that the resulting disruption of employment, production, and consumption constitutes a substantial burden upon interstate commerce.

Section 202(a) prohibits the garnishment of wages to the extent of more than 10 percent of excess of over \$30 per week.

Section 202(b) excepts from this prohibition debts due for the support of any person or for any State or Federal tax.

Section 202(c) authorizes the Secretary of Labor to issue regulations in implementation of this section, and provides a criminal penalty of \$1,000 or 1 year, or both, for violation thereof.

Section 202(d) directs the Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, to enforce the provisions of this section.

Section 203 prohibits the discharge of any employee by reason of the fact that, on one occasion, his compensation has been subjected to garnishment. Violation of this prohibition is made subject to criminal penalty of \$1,000, 1 year, or both, and the Secretary of Labor is directed to enforce this section.

Section 204 provides that where State and Federal law are inconsistent, the governing law will be that which provides for the least garnishment or which further restricts the employer's right to discharge an employee on the ground that his compensation has been subjected to garnishment.

TITLE III OF THE BILL

Section 301 establishes a bipartisan National Commission on Consumer Finance.

Section 302 provides for the establishment of a nine-member Commission—three members of the Senate, three members of the House, and three public members.

Section 303 provides for the compensation of members of the Commission.

Section 304 provides that the “Commission shall study and appraise the functioning and structure of the consumer finance industry, as well as consumer credit transactions generally”, reporting its findings and recommendations to the President and to the Congress by December 31, 1969.

Section 305 describes the powers of the Commission.

Section 306 describes the administrative arrangements under which the Commission may operate.

Section 307 authorizes the appropriation of \$1.5 million for the Commission.

TITLE IV OF THE BILL

Section 401. This section provides that the judicial finding that any provision of the act is invalid shall not affect the validity of any other provision of the act.

CHANGES IN EXISTING LAW

Federal Reserve Act

To provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, [That the short title of this Act shall be the "Federal Reserve Act."]

TITLE I.—THE FEDERAL RESERVE SYSTEM

SECTION 1. SHORT TITLE AND DEFINITIONS

This title may be cited as the Federal Reserve Act.

Wherever the word "bank" is used in this [Act] *title*, the word shall be held to include State bank, banking association, and trust company, except where national banks or Federal reserve banks are specifically referred to.

The terms "national bank" and "national banking association" used in this [Act] *title* shall be held to be synonymous and interchangeable. The term "member bank" shall be held to mean any national bank, State bank, or bank or trust company which has become a member of one of the reserve banks created by this [Act] *title*. The term "board" shall be held to mean Board of Governors of the Federal Reserve System; the term "district" shall be held to mean Federal reserve district; the term "reserve bank" shall be held to mean Federal reserve bank; the term "the continental United States" means the States of the United States and the District of Columbia.

SECTION 2. FEDERAL RESERVE DISTRICTS

As soon as practicable, the Secretary of the Treasury, the Secretary of Agriculture and the Comptroller of the Currency, acting as "The Reserve Bank Organization Committee," shall designate not less than eight nor more than twelve cities to be known as Federal reserve cities, and shall divide the continental United States, excluding Alaska, into districts, each district to contain only one of such Federal reserve cities. The determination of said organization committee shall not be subject to review except by the Board of Governors of the Federal Reserve System when organized: *Provided*, That the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States. The districts thus created may be readjusted and new districts may from time to time be created by the Board of Governors of the Federal Reserve System, not to exceed twelve in all. Such districts shall be known as Federal reserve districts and may be designated by

number. When the State of Alaska or Hawaii is hereafter admitted to the Union the Federal Reserve districts shall be readjusted by the Board of Governors of the Federal Reserve System in such manner as to include such State. Every national bank in any State shall, upon commencing business or within ninety days after admission into the Union of the State in which it is located, become a member bank of the Federal Reserve System by subscribing and paying for stock in the Federal Reserve bank of its district in accordance with the provisions of this **[Act]** *title* and shall thereupon be an insured bank under the Federal Deposit Insurance Act, and failure to do so shall subject such bank to the penalty provided by the sixth paragraph of this section.

Said organization committee shall be authorized to employ counsel and expert aid, to take testimony, to send for persons and papers, to administer oaths, and to make such investigation as may be deemed necessary by the said committee in determining the reserve districts and in designating the cities within such districts where such Federal reserve banks shall be severally located. The said committee shall supervise the organization in each of the cities designated of a Federal reserve bank, which shall include in its title the name of the city in which it is situated, as "Federal Reserve Bank of Chicago."

Under regulations to be prescribed by the organization committee, every national banking association in the United States is hereby required, and every eligible bank in the United States and every trust company within the District of Columbia, is hereby authorized to signify in writing, within sixty days after the passage of this **[Act]** *title*, its acceptance of the terms and provisions hereof. When the organization committee shall have designated the cities in which Federal reserve banks are to be organized, and fixed the geographical limits of the Federal reserve districts, every national banking association within that district shall be required within thirty days after notice from the organization committee, to subscribe to the capital stock of such Federal reserve bank in a sum equal to six per centum of the paid-up capital stock and surplus of such bank, one-sixth of the subscription to be payable on call of the organization committee or of the Board of Governors of the Federal Reserve System, one-sixth within three months and one-sixth within six months thereafter, and the remainder of the subscription, or any part thereof, shall be subject to call when deemed necessary by the Board of Governors of the Federal Reserve System, said payments to be in gold or gold certificates.

The shareholders of every Federal reserve bank shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such bank to the extent of the amount of their subscriptions to such stock at the par value thereof in addition to the amount subscribed, whether such subscriptions have been paid up in whole or in part, under the provisions of this **[Act]** *title*.

Any national bank failing to signify its acceptance of the terms of this **[Act]** *title* within the sixty days aforesaid, shall cease to act as a reserve agent, upon thirty days' notice, to be given within the discretion of the said organization committee or of the Board of Governors of the Federal Reserve System.

Should any national banking association in the United States now organized fail within one year after the passage of this **[Act]** *title* to become a member bank or fail to comply with any of the provisions of this **[Act]** *title* applicable thereto, all of the rights, privileges,

and franchises of such association granted to it under the national-bank Act, or under the provisions of this [Act] *title*, shall be thereby forfeited. Any noncompliance with or violation of this [Act] *title* shall, however, be determined and adjudged by any court of the United States of competent jurisdiction in a suit brought for that purpose in the district or territory in which such bank is located, under direction of the Board of Governors of the Federal Reserve System, by the Comptroller of the Currency in his own name before the association shall be declared dissolved. In cases of such noncompliance or violation, other than the failure to become a member bank under the provisions of this [Act] *title*, every director who participated in or assented to the same shall be held liable in his personal or individual capacity for all damages which said bank, its shareholders, or any other person shall have sustained in consequence of such violation.

Such dissolution shall not take away or impair any remedy against such corporation, its stockholders or officers, for any liability or penalty which shall have been previously incurred.

Should the subscriptions by banks to the stock of said Federal reserve banks or any one or more of them be, in the judgment of the organization committee, insufficient to provide the amount of capital required therefor, then and in that event the said organization committee may, under conditions and regulations to be prescribed by it, offer to public subscription at par such an amount of stock in said Federal reserve banks, or any one or more of them, as said committee shall determine, subject to the same conditions as to payment and stock liability as provided for member banks.

No individual, copartnership, or corporation other than a member bank of its district shall be permitted to subscribe for or to hold at any time more than \$25,000 par value of stock in any Federal reserve bank. Such stock shall be known as public stock and may be transferred on the books of the Federal reserve bank by the chairman of the board of directors of such bank.

Should the total subscriptions by banks and the public to the stock of said Federal reserve banks, or any one or more of them, be, in the judgment of the organization committee, insufficient to provide the amount of capital required therefor, then and in that event the said organization committee shall allot to the United States such an amount of said stock as said committee shall determine. Said United States stock shall be paid for at par out of any money in the Treasury not otherwise appropriated, and shall be held by the Secretary of the Treasury and disposed of for the benefit of the United States in such manner, at such times, and at such price, not less than par, as the Secretary of the Treasury shall determine.

Stock not held by member banks shall not be entitled to voting power.

The Board of Governors of the Federal Reserve System is hereby empowered to adopt and promulgate rules and regulations governing the transfers of said stock.

No Federal reserve bank shall commence business with a subscribed capital less than \$4,000,000. The organization of reserve districts and Federal reserve cities shall not be construed as changing the present status of reserve cities, except in so far as this [Act] *title* changes the amount of reserves that may be carried with approved reserve agents located therein. The organization committee shall have power to

appoint such assistants and incur such expenses in carrying out the provisions of this [Act] *title* as it shall deem necessary, and such expenses shall be payable by the Treasurer of the United States upon voucher approved by the Secretary of the Treasury, and the sum of \$100,000, or so much thereof as may be necessary, is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, for the payment of such expenses.

SECTION 3. BRANCH OFFICES

The Board of Governors of the Federal Reserve System may permit or require any Federal reserve bank to establish branch banks within the Federal reserve district in which it is located or within the district of any Federal reserve bank which may have been suspended. Such branches, subject to such rules and regulations as the Board of Governors of the Federal Reserve System may prescribe, shall be operated under the supervision of a board of directors to consist of not more than seven nor less than three directors, of whom a majority of one shall be appointed by the Federal reserve bank of the district, and the remaining directors by the Board of Governors of the Federal Reserve System. Directors of branch banks shall hold office during the pleasure of the Board of Governors of the Federal Reserve System.

The Board of Governors of the Federal Reserve System may at any time require any Federal Reserve Bank to discontinue any branch of such Federal Reserve Bank established under this section. The Federal Reserve Bank shall thereupon proceed to wind up the business of such branch bank, subject to such rules and regulations as the Board of Governors of the Federal Reserve System may prescribe.

No Federal Reserve Bank shall have authority hereafter to enter into any contract or contracts for the erection of any branch bank building of any kind or character or to authorize the erection of any such building, except with the approval of the Board of Governors of the Federal Reserve System.

SECTION 4. FEDERAL RESERVE BANKS

When the organization committee shall have established Federal reserve districts as provided in section two of this [Act] *title*, a certificate shall be filed with the Comptroller of the Currency showing the geographical limits of such districts and the Federal reserve city designated in each of such districts. The Comptroller of the Currency shall thereupon cause to be forwarded to each national bank located in each district, and to such other banks declared to be eligible by the organization committee which may apply therefor, an application blank in form to be approved by the organization committee, which blank shall contain a resolution to be adopted by the board of directors of each bank executing such application, authorizing a subscription to the capital stock of the Federal reserve bank organizing in that district in accordance with the provisions of this [Act] *title*.

When the minimum amount of capital stock prescribed by this [Act] *title* for the organization of any Federal reserve bank shall have been subscribed and allotted, the organization committee shall designate any five banks of those whose applications have been received, to execute a certificate of organization, and thereupon the banks so designated shall, under their seals, make an organization certificate

which shall specifically state the name of such Federal reserve bank, the territorial extent of the district over which the operations of such Federal reserve bank are to be carried on, the city and State in which said bank is to be located, the amount of capital stock and the number of shares into which the same is divided, the name and place of doing business of each bank executing such certificate, and of all banks which have subscribed to the capital stock of such Federal reserve bank and the number of shares subscribed by each, and the fact that the certificate is made to enable those banks executing same, and all banks which have subscribed or may thereafter subscribe to the capital stock of such Federal reserve bank, to avail themselves of the advantages of this [Act] *title*.

The said organization certificate shall be acknowledged before a judge of some court of record or notary public; and shall be, together with the acknowledgment thereof, authenticated by the seal of such court, or notary, transmitted to the Comptroller of the Currency, who shall file, record and carefully preserve the same in his office.

Upon the filing of such certificate with the Comptroller of the Currency as aforesaid, the said Federal reserve bank shall become a body corporate and as such, and in the name designated in such organization certificate, shall have power—

First. To adopt and use a corporate seal.

Second. To have succession after the approval of this [Act] *title* until dissolved by Act of Congress or until forfeiture of franchise for violation of law.

Third. To make contracts.

Fourth. To sue and be sued, complain and defend, in any court of law or equity.

Fifth. To appoint by its board of directors a president, vice presidents, and such officers and employees as are not otherwise provided for in this [Act], *title*, to define their duties, require bonds for them and fix the penalty thereof, and to dismiss at pleasure such officers or employees. The president shall be the chief executive officer of the bank and shall be appointed by the board of directors, with the approval of the Board of Governors of the Federal Reserve System, for a term of five years; and all other executive officers and all employees of the bank shall be directly responsible to him. The first vice president of the bank shall be appointed in the same manner and for the same term as the president, and shall, in the absence or disability of the president or during a vacancy in the office of president, serve as chief executive officer of the bank. Whenever a vacancy shall occur in the office of the president or the first vice president, it shall be filled in the manner provided for original appointments; and the person so appointed shall hold office until the expiration of the term of his predecessor.

Sixth. To prescribe by its board of directors, by-laws not inconsistent with law, regulating the manner in which its general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed.

Seventh. To exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this [Act] *title* and such incidental powers as shall be necessary to carry on the business of banking within the limitations prescribed by this [Act] *title*.

Eighth. Upon deposit with the Treasurer of the United States of any bonds of the United States in the manner provided by existing

law relating to national banks, to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited, such notes to be issued under the same conditions and provisions of law as relate to the issue of circulating notes of national banks secured by bonds of the United States bearing the circulating privilege, except that the issue of such notes shall not be limited to the capital stock of such Federal reserve bank.

But no Federal reserve bank shall transact any business except such as is incidental and necessarily preliminary to its organization until it has been authorized by the Comptroller of the Currency to commence business under the provisions of this [Act] *title*.

Every Federal reserve bank shall be conducted under the supervision and control of a board of directors.

The board of directors shall perform the duties usually appertaining to the office of directors of banking associations and all such duties as are prescribed by law.

Said board of directors shall administer the affairs of said bank fairly and impartially and without discrimination in favor of or against any member bank or banks and may, subject to the provisions of law and the orders of the Board of Governors of the Federal Reserve System, extend to each member bank such discounts, advancements, and accommodations as may be safely and reasonably made with due regard for the claims and demands of other member banks, the maintenance of sound credit conditions, and the accommodation of commerce, industry, and agriculture. The Board of Governors of the Federal Reserve System may prescribe regulations further defining within the limitations of this [Act] *title* the conditions under which discounts, advancements, and the accommodations may be extended to member banks. Each Federal reserve bank shall keep itself informed of the general character and amount of the loans and investments of its member banks with a view to ascertaining whether undue use is being made of bank credit for the speculative carrying of or trading in securities, real estate, or commodities, or for any other purpose inconsistent with the maintenance of sound credit conditions; and, in determining whether to grant or refuse advances, rediscounts or other credit accommodations, the Federal reserve bank shall give consideration to such information. The chairman of the Federal reserve bank shall report to the Board of Governors of the Federal Reserve System any such undue use of bank credit by any member bank, together with his recommendation. Whenever, in the judgment of the Board of Governors of the Federal Reserve System, any member bank is making such undue use of bank credit, the Board may, in its discretion, after reasonable notice and an opportunity for a hearing, suspend such bank from the use of the credit facilities of the Federal Reserve System and may terminate such suspension or may renew it from time to time.

Such board of directors shall be selected as hereinafter specified and shall consist of nine members, holding office for three years, and divided into three classes, designated as classes A, B, and C.

Class A shall consist of three members, who shall be chosen by and be representative of the stock-holding banks.

Class B shall consist of three members, who at the time of their election shall be actively engaged in their district in commerce, agriculture or some other industrial pursuit.

Class C shall consist of three members who shall be designated by the Board of Governors of the Federal Reserve System. When the necessary subscriptions to the capital stock have been obtained for the organization of any Federal reserve bank, the Board of Governors of the Federal Reserve System shall appoint the class C directors and shall designate one of such directors as chairman of the board to be selected. Pending the designation of such chairman, the organization committee shall exercise the powers and duties appertaining to the office of chairman in the organization of such Federal reserve bank.

No Senator or Representative in Congress shall be a member of the Board of Governors of the Federal Reserve System or an officer or a director of a Federal reserve bank.

No director of class B shall be an officer, director, or employee of any bank.

No director of class C shall be an officer, director, employee, or stockholder of any bank.

Directors of Class A and Class B shall be chosen in the following manner:

The Board of Governors of the Federal Reserve System shall classify the member banks of the district into three general groups or divisions, designating each group by number. Each group shall consist as nearly as may be of banks of similar capitalization. Each member bank shall be permitted to nominate to the chairman of the board of directors of the Federal reserve bank of the district one candidate for director of Class A and one candidate for director of Class B. The candidates so nominated shall be listed by the chairman, indicating by whom nominated, and a copy of said list shall, within fifteen days after its completion, be furnished by the chairman to each member bank. Each member bank by a resolution of the board or by an amendment to its by-laws shall authorize its president, cashier, or some other officer to cast the vote of the member bank in the elections of Class A and Class B directors: *Provided*, That whenever any member banks within the same Federal Reserve district are subsidiaries of the same bank holding company within the meaning of the Bank Holding Company Act of 1956, participation in any such nomination or election by such member banks, including such bank holding company if it is also a member bank, shall be confined to one of such banks, which may be designated for the purpose by such holding company.

Within fifteen days after receipt of the list of candidates the duly authorized officer of a member bank shall certify to the chairman his first, second, and other choices for director of Class A and Class B, respectively, upon a preferential ballot upon a form furnished by the chairman of the board of directors of the Federal reserve bank of the district. Each such officer shall make a cross opposite the name of the first, second, and other choices for a director of Class A and for a director of Class B, but shall not vote more than one choice for any one candidate. No officer or director of a member bank shall be eligible to serve as a Class A director unless nominated and elected by banks which are members of the same group as the member bank of which he is an officer or director.

Any person who is an officer or director of more than one member bank shall not be eligible for nominations as a Class A director except by banks in the same group as the bank having the largest aggregate resources of any of those of which such person is an officer or director.

Any candidate having a majority of all votes cast in the column of first choice shall be declared elected. If no candidate have a majority of all the votes in the first column, then there shall be added together the votes cast by the electors for such candidates in the second column and the votes cast for the several candidates in the first column. The candidate then having a majority of the electors voting and the highest number of combined votes shall be declared elected. If no candidate have a majority of electors voting and the highest number of votes when the first and second choices shall have been added, then the votes cast in the third column for other choices shall be added together in like manner, and the candidate then having the highest number of votes shall be declared elected. An immediate report of election shall be declared.

Class C directors shall be appointed by the Board of Governors of the Federal Reserve System. They shall have been for at least two years residents of the district for which they are appointed, one of whom shall be designated by said board as chairman of the board of directors of the Federal reserve bank and as "Federal reserve agent." He shall be a person of tested banking experience, and in addition to his duties as chairman of the board of directors of the Federal reserve bank he shall be required to maintain, under regulations to be established by the Board of Governors of the Federal Reserve System, a local office of said board on the premises of the Federal reserve bank. He shall make regular reports to the Board of Governors of the Federal Reserve System and shall act as its official representative for the performance of the functions conferred upon it by this [Act] title. He shall receive an annual compensation to be fixed by the Board of Governors of the Federal Reserve System and paid monthly by the Federal reserve bank to which he is designated. One of the directors of class C shall be appointed by the Board of Governors of the Federal Reserve System as deputy chairman to exercise the powers of the chairman of the board when necessary. In case of the absence of the chairman and deputy chairman, the third class C director shall preside at meetings of the board.

Subject to the approval of the Board of Governors of the Federal Reserve System, the Federal reserve agent shall appoint one or more assistants. Such assistants, who shall be persons of tested banking experience, shall assist the Federal reserve agent in the performance of his duties and shall also have power to act in his name and stead during his absence or disability. The Board of Governors of the Federal Reserve System shall require such bonds of the assistant Federal reserve agents as it may deem necessary for the protection of the United States. Assistants to the Federal reserve agent shall receive an annual compensation, to be fixed and paid in the same manner as that of the Federal reserve agent.

Directors of Federal reserve banks shall receive, in addition to any compensation otherwise provided, a reasonable allowance for necessary expenses in attending meetings of their respective boards, which amounts shall be paid by the respective Federal reserve banks. Any compensation that may be provided by boards of directors of Federal reserve banks for directors, officers or employees shall be subject to the approval of the Board of Governors of the Federal Reserve System.

The Reserve Bank Organization Committee may, in organizing Federal reserve banks, call such meetings of bank directors in the

several districts as may be necessary to carry out the purposes of this **[Act]** *title*, and may exercise the functions herein conferred upon the chairman of the board of directors of each Federal reserve bank pending the complete organization of such bank.

At the first meeting of the full board of directors of each Federal reserve bank, it shall be the duty of the directors of classes A, B and C, respectively, to designate one of the members of each class whose term of office shall expire in one year from the first of January nearest to date of such meeting, one whose term of office shall expire at the end of two years from said date, and one whose term of office shall expire at the end of three years from said date. Thereafter every director of a Federal reserve bank chosen as hereinbefore provided shall hold office for a term of three years. Vacancies that may occur in the several classes of directors of Federal reserve banks may be filled in the manner provided for the original selection of such directors, such appointees to hold office for the unexpired terms of their predecessors.

SECTION 5. STOCK ISSUES; INCREASE AND DECREASE OF CAPITAL

The capital stock of each Federal reserve bank shall be divided into shares of \$100 each. The outstanding capital stock shall be increased from time to time as member banks increase their capital stock and surplus or as additional banks become members, and may be decreased as member banks reduce their capital stock or surplus or cease to be members. Shares of the capital stock of Federal reserve banks owned by member banks shall not be transferred or hypothecated. When a member bank increases its capital stock or surplus, it shall thereupon subscribe for an additional amount of capital stock of the Federal reserve bank of its district equal to six per centum of the said increase, one-half of said subscription to be paid in the manner hereinbefore provided for original subscription, and one-half subject to call of the Board of Governors of the Federal Reserve System. A bank applying for stock in a Federal reserve bank at any time after the organization thereof must subscribe for an amount of the capital stock of the Federal reserve bank equal to six per centum of the paid-up capital stock and surplus of said applicant bank, paying therefor its par value plus one-half of one per centum a month from the period of the last dividend. When a member bank reduces its capital stock or surplus it shall surrender a proportionate amount of its holdings in the capital stock of said Federal Reserve bank. Any member bank which holds capital stock of a Federal Reserve bank in excess of the amount required on the basis of 6 per centum of its paid-up capital stock and surplus shall surrender such excess stock. When a member bank voluntarily liquidates it shall surrender all of its holdings of the capital stock of said Federal Reserve bank and be released from its stock subscription not previously called. In any such case the shares surrendered shall be canceled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Board of Governors of the Federal System, a sum equal to its cash-paid subscriptions on the shares surrendered and one-half of 1 per centum a month from the period of the last dividend, not to exceed the book value thereof, less any liability of such member bank to the Federal Reserve bank.

SECTION 6. INSOLVENCY OF MEMBER BANKS

If any member bank shall be declared insolvent and a receiver appointed therefor, the stock held by it in said Federal reserve bank shall be canceled, without impairment of its liability, and all cash-paid subscriptions on said stock, with one-half of 1 per centum per month from the period of last dividend, if earned, not to exceed the book value, thereof, shall be first applied to all debts of the insolvent member bank to the Federal reserve bank, and the balance, if any, shall be paid to the receiver of the insolvent bank.

If any national bank which has not gone into liquidation as provided in section 5220 of the Revised Statutes (United States Code, title 12, section 181) and for which a receiver has not already been appointed for other lawful cause, shall discontinue its banking operations for a period of sixty days the Comptroller of the Currency may, if he deems it advisable, appoint a receiver for such bank. The stock held by the said national bank in the Federal reserve bank of its district shall thereupon be canceled and said national bank shall receive in payment therefor, under regulations to be prescribed by the Board of Governors of the Federal Reserve System, a sum equal to its cash-paid subscriptions on the shares canceled and one-half of 1 per centum a month from the period of the last dividend, if earned, not to exceed the book value thereof, less any liability of such national bank to the Federal reserve bank.

SECTION 7. DIVISION OF EARNINGS

After all necessary expenses of a Federal reserve bank shall have been paid or provided for, the stockholders shall be entitled to receive an annual dividend of 6 per centum on the paid-in capital stock, which dividend shall be cumulative. After the aforesaid dividend claims have been fully met, the net earnings shall be paid into the surplus fund of the Federal reserve bank.

The net earnings derived by the United States from Federal reserve banks shall, in the discretion of the Secretary, be used to supplement the gold reserve held against outstanding United States notes, or shall be applied to the reduction of the outstanding bonded indebtedness of the United States under regulations to be prescribed by the Secretary of the Treasury. Should a Federal reserve bank be dissolved or go into liquidation, any surplus remaining, after the payment of all debts, dividend requirements as hereinbefore provided, and the par value of the stock, shall be paid to and become the property of the United States and shall be similarly applied.

Federal reserve banks, including the capital stock and surplus therein, and the income derived therefrom shall be exempt from Federal, State, and local taxation, except taxes upon real estate.

SECTION 8. CONVERSION OF STATE BANKS INTO NATIONAL BANKS

Section fifty-one hundred and fifty-four, United States Revised Statutes, is hereby amended to read as follows:

Any bank incorporated by special law of any State or of the United States or organized under the general laws of any State or of the United States and having an unimpaired capital sufficient to entitle it to become a national banking association under the provisions of the

existing laws may, by the vote of the shareholders owning not less than fifty-one per centum of the capital stock of such bank or banking association, with the approval of the Comptroller of the Currency be converted into a national banking association, with any name approved by the Comptroller of the Currency.

Provided, however, That said conversion shall not be in contravention of the State law. In such case the articles of association and organization certificate may be executed by a majority of the directors of the bank or banking institution, and the certificate shall declare that the owners of fifty-one per centum of the capital stock have authorized the directors to make such certificate and to change or convert the bank or banking institution into a national association. A majority of the directors, after executing the articles of association and the organization certificate, shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a national association. The shares of any such bank may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the association until others are elected or appointed in accordance with the provisions of the statutes of the United States. When the Comptroller has given to such bank or banking association a certificate that the provisions of this [Act] *title* have been complied with, such bank or banking association, and all its stockholders, officers, and employees, shall have the same powers and privileges, and shall be subject to the same duties, liabilities, and regulations, in all respects, as shall have been prescribed by the Federal Reserve Act and by the national banking Act for associations originally organized as national banking associations.

The Comptroller of the Currency may, in his discretion and subject to such conditions as he may prescribe, permit such converting bank to retain and carry at a value determined by the Comptroller such of the assets of such converting bank as do not conform to the legal requirements relative to assets acquired and held by national banking associations.

SECTION 9. STATE BANKS AS MEMBERS

Any bank incorporated by special law of any State, or organized under the general laws of any State or of the United States, including Morris Plan banks and other incorporated banking institutions engaged in similar business, desiring to become a member of the Federal Reserve System, may make application to the Board of Governors of the Federal reserve system, under such rules and regulation as it may prescribe, for the right to subscribe to the stock of the Federal reserve bank organized within the district in which the applying bank is located. Such application shall be for the same amount of stock that the applying bank would be required to subscribe to as a national bank. For the purposes of membership of any such bank the terms "capital" and "capital stock" shall include the amount of outstanding capital notes and debentures legally issued by the applying bank and purchased by the Reconstruction Finance Corporation. The Board of Governors of the Federal Reserve System, subject to the provisions of this [Act] *title* and to such conditions as it may prescribe pursuant thereto may permit the applying bank to become a stockholder of such Federal reserve bank.

Upon the conversion of a national bank into a State bank, or the merger or consolidation of a national bank with a State bank which is not a member of the Federal Reserve System, the resulting or continuing State bank may be admitted to membership in the Federal Reserve System by the Board of Governors of the Federal Reserve System in accordance with the provisions of this section, but, otherwise, the Federal Reserve bank stock owned by the national bank shall be canceled and paid for as provided in section 5 of this [Act] title. Upon the merger or consolidation of a national bank with a State member bank under a State charter, the membership of the State bank in the Federal Reserve System shall continue.

Any such State bank which, at the date of the approval of this [Act] title, has established and is operating a branch or branches in conformity with the State law, may retain and operate the same while remaining or upon becoming a stockholder of such Federal reserve bank; but no such State bank may retain or acquire stock in a Federal reserve bank except upon relinquishment of any branch or branches established after the date of the approval of this [Act] title beyond the limits of the city, town, or village in which the parent bank is situated. *Provided, however,* That nothing herein contained shall prevent any State member bank from establishing and operating branches in the United States or any dependency or insular possession thereof or in any foreign country, on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks except that the approval of the Board of Governors of the Federal Reserve System, instead of the Comptroller of the Currency, shall be obtained before any State member bank may hereafter establish any branch and before any State bank hereafter admitted to membership may retain any branch established after February 25, 1927, beyond the limits of the city, town, or village in which the parent bank is situated. The approval of the Board shall likewise be obtained before any State member bank may establish any new branch within the limits of any such city, town, or village (except within the District of Columbia).

In acting upon such applications the Board of Governors of the Federal Reserve System shall consider the financial condition of the applying bank, the general character of its management, and whether or not the corporate powers exercised are consistent with the purposes of this [Act] title.

Whenever the Board of Governors of the Federal Reserve System shall permit the applying bank to become a stockholder in the Federal reserve bank of the district its stock subscription shall be payable on call of the Board of Governors of the Federal Reserve System, and stock issued to it shall be held subject to the provisions of this [Act] title.

All banks admitted to membership under authority of this section shall be required to comply with the reserve and capital requirements of this [Act] title, to conform to those provisions of law imposed on national banks which prohibit such banks from lending on or purchasing their own stock and which relate to the withdrawal or impairment of their capital stock, and to conform to the provisions of sections 5199(b) and 5204 of the Revised Statutes with respect to the payment of dividends; except that any reference in any such provision to the Comptroller of the Currency shall be deemed for

the purposes of this sentence to be a reference to the Board of Governors of the Federal Reserve System. Such banks and the officers, agents, and employees thereof shall also be subject to the provisions of and to the penalties prescribed by sections 334, 656, and 1005 of Title 18, United States Code, and shall be required to make reports of condition and of the payment of dividends to the Federal Reserve bank of which they become a member. Not less than three of such reports shall be made annually on call of the Federal Reserve bank on dates to be fixed by the Board of Governors of the Federal Reserve System. Failure to make such reports within ten days after the date they are called for shall subject the offending bank to a penalty of \$100 a day for each day that it fails to transmit such report; such penalty to be collected by the Federal Reserve bank by suit or otherwise. Such reports of condition shall be in such form and shall contain such information as the Board of Governors of the Federal Reserve System may require and shall be published by the reporting banks in such manner and in accordance with such regulations as the said Board may prescribe.

As a condition of membership such banks shall likewise be subject to examinations made by direction of the Board of Governors of the Federal Reserve System or of the Federal reserve bank by examiners selected or approved by the Board of Governors of the Federal Reserve System.

Whenever the directors of the Federal reserve bank shall approve the examinations made by the State authorities, such examinations and the reports thereof may be accepted in lieu of examinations made by examiners selected or approved by the Board of Governors of the Federal Reserve System: *Provided, however,* That when it deems it necessary the board may order special examinations by examiners of its own selection and shall in all cases approve the form of the report. The expenses of all examinations, other than those made by State authorities, may, in the discretion of the Board of Governors of the Federal Reserve System, be assessed against the banks examined and, when so assessed, shall be paid by the banks examined. Copies of the reports of such examinations may in the discretion of the Board of Governors of the Federal Reserve System, be furnished to the State authorities having supervision of such banks, to officers, directors, or receivers of such banks, and to any other proper persons.

If at any time it shall appear to the Board of Governors of the Federal Reserve System that a member bank has failed to comply with the provisions of this section or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, or has ceased to exercise banking functions without a receiver or liquidating agent having been appointed therefor, it shall be within the power of the board after hearing to require such bank to surrender its stock in the Federal reserve bank and to forfeit all rights and privileges of membership. The Board of Governors of the Federal Reserve System may restore membership upon due proof of compliance with the conditions imposed by this section.

Any State bank or trust company desiring to withdraw from membership in a Federal reserve bank may do so, after six months' written notice shall have been filed with the Board of Governors of the Federal Reserve System, upon the surrender and cancellation of all of its holdings of capital stock in the Federal reserve bank: *Provided,* That the Board of Governors of the Federal Reserve System, in its dis-

cretion and subject to such conditions as it may prescribe, may waive such six months' notice in individual cases and may permit any such State bank or trust company to withdraw from membership in a Federal reserve bank prior to the expiration of six months from the date of the written notice of its intention to withdraw: *Provided, however,* That no Federal reserve bank shall, except under express authority of the Board of Governors of the Federal Reserve System, cancel within the same calendar year more than twenty-five per centum of its capital stock for the purpose of effecting voluntary withdrawals during that year. All such applications shall be dealt with in the order in which they are filed with the board. Whenever a member bank shall surrender its stock holdings in a Federal reserve bank, or shall be ordered to do so by the Board of Governors of the Federal Reserve System, under authority of law, all of its rights and privileges as a member bank shall thereupon cease and determine, and after due provision has been made for any indebtedness due or to become due to the Federal reserve bank it shall be entitled to a refund of its cash paid subscription with interest at the rate of one-half of one per centum per month from date of last dividend, if earned, the amount refunded in no event to exceed the book value of the stock at that time, and shall likewise be entitled to repayment of deposits and of any other balance due from the Federal reserve bank.

No applying bank shall be admitted to membership unless it possesses capital stock and surplus which, in the judgment of the Board of Governors of the Federal Reserve System, are adequate in relation to the character and condition of its assets and to its existing and prospective deposit liabilities and other corporate responsibilities: *Provided,* That no bank engaged in the business of receiving deposits other than trust funds, which does not possess capital stock and surplus in an amount equal to that which would be required for the establishment of a national banking association in the place in which it is located, shall be admitted to membership unless it is, or has been, approved for deposit insurance under the Federal Deposit Insurance Act. The capital stock of a State member bank shall not be reduced except with the prior consent of the Board.

In order to facilitate the admission to membership in the Federal Reserve System of any State bank which is required under subsection (y) of section 12B of this [Act] *title* to become a member of the Federal Reserve System in order to be an insured bank or continue to have any part of its deposits insured under such section 12B, the Board of Governors of the Federal Reserve System may waive in whole or in part the requirements of this section relating to the admission of such bank to membership: *Provided,* That, if such bank is admitted with a capital less than that required for the organization of a national bank in the same place and its capital and surplus are not, in the judgment of the Board of Governors of the Federal Reserve System, adequate in relation to its liabilities to depositors and other creditors, the said Board may, in its discretion, require such bank to increase its capital and surplus to such amount as the Board may deem necessary within such period prescribed by the Board as in its judgment shall be reasonable in view of all the circumstances: *Provided, however,* That no such bank shall be required to increase its capital to an amount in excess of that required for the organization of a national bank in the same place.

Banks becoming members of the Federal Reserve System under authority of this section shall be subject to the provisions of this section

and to those of this [Act] title which relate specifically to member banks, but shall not be subject to examination under the provisions of the first two paragraphs of section fifty-two hundred and forty of the Revised Statutes as amended by section twenty-one of this [Act] title. Subject to the provisions of this [Act] title and to the regulations of the board made pursuant thereto, any bank becoming a member of the Federal Reserve System shall retain its full charter and statutory rights as a State bank or trust company, and may continue to exercise all corporate powers granted it by the State in which it was created, and shall be entitled to all privileges of member banks: *Provided, however,* That no Federal reserve bank shall be permitted to discount for any State bank or trust company notes, drafts, or bills of exchange of any one borrower who is liable for borrowed money to such State bank or trust company in an amount greater than that which could be borrowed lawfully from such State bank or trust company were it a national banking association. The Federal reserve bank, as a condition of the discount of notes, drafts, and bills of exchange for such State bank or trust company, shall require a certificate or guaranty to the effect that the borrower is not liable to such bank in excess of the amount provided by this section, and will not be permitted to become liable in excess of this amount while such notes, drafts, or bills of exchange are under discount with the Federal reserve bank.

It shall be unlawful for any officer, clerk, or agent of any bank admitted to membership under authority of this section to certify any check drawn upon such bank unless the person or company drawing the check has on deposit therewith at the time such check is certified an amount of money equal to the amount specified in such check. Any check so certified by duly authorized officers shall be a good and valid obligation against such bank, but the act of any such officer, clerk, or agent in violation of this section may subject such bank to a forfeiture of its membership in the Federal Reserve System upon hearing by the Board of Governors of the Federal Reserve System.

All banks or trust companies incorporated by special law or organized under the general laws of any State, which are members of the Federal reserve system, when designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money, under such regulations as may be prescribed by the Secretary; and they may also be employed as financial agents of the Government; and they shall perform all such reasonable duties, as depositaries of public money and financial agents of the Government, as may be required of them. The Secretary of the Treasury shall require of the banks and trust companies thus designated satisfactory security, by the deposit of United States bonds or otherwise, for the safe keeping and prompt payment of the public money deposited with them and for the faithful performance of their duties as financial agents of the Government.

Any mutual savings bank having no capital stock (including any other banking institution the capital of which consists of weekly or other time deposits which are segregated from all other deposits and are regarded as capital stock for the purposes of taxation and the declaration of dividends), but having surplus and undivided profits not less than the amount of capital required for the organization of a national bank in the same place, may apply for and be admitted to membership in the Federal Reserve System in the same manner and subject to the same provisions of law as State banks and trust companies, except that any such savings banks shall subscribe for capital

stock of the Federal reserve bank in an amount equal to six-tenths of 1 per centum of its total deposit liabilities as shown by the most recent report of examination of such savings bank preceding its admission to membership. Thereafter such subscription shall be adjusted semi-annually on the same percentage basis in accordance with rules and regulations prescribed by the Board of Governors of the Federal Reserve System. If any such mutual savings bank applying for membership is not permitted by the laws under which it was organized to purchase stock in a Federal reserve bank, it shall, upon admission to the system, deposit with the Federal reserve bank an amount equal to the amount which it would have been required to pay in on account of a subscription to capital stock. Thereafter such deposit shall be adjusted semiannually in the same manner as subscriptions for stock. Such deposits shall be subject to the same conditions with respect to repayment as amounts paid upon subscriptions to capital stock by other member banks and the Federal reserve bank shall pay interest thereon at the same rate as dividends are actually paid on outstanding shares of stock of such Federal reserve bank. If the laws under which any such savings bank was organized be amended so as to authorize mutual savings banks to subscribe for Federal reserve bank stock, such savings bank shall thereupon subscribe for the appropriate amount of stock in the Federal reserve bank, and the deposit hereinbefore provided for in lieu of payment upon capital stock shall be applied upon such subscription. If the laws under which any such savings bank was organized be not amended at the next session of the legislature following the admission of such savings bank to membership so as to authorize mutual savings banks to purchase Federal reserve bank stock, or if such laws be so amended and such bank fail within six months thereafter to purchase such stock, all of its rights and privileges as a member bank shall be forfeited and its membership in the Federal Reserve System shall be terminated in the manner prescribed elsewhere in this section with respect to State member banks and trust companies. Each such mutual savings bank shall comply with all the provisions of law applicable to State member banks and trust companies, with the regulations of the Board of Governors of the Federal Reserve System and with the conditions of membership prescribed for such savings bank at the time of admission to membership, except as otherwise hereinbefore provided with respect to capital stock.

Each bank admitted to membership under this section shall obtain from each of its affiliates other than member banks and furnish to the Federal reserve bank of its district and to the Board of Governors of the Federal Reserve System not less than three reports during each year. Such reports shall be in such form as the Board of Governors of the Federal Reserve System may prescribe, shall be verified by the oath or affirmation of the president or such other officer as may be designated by the board of directors of such affiliate to verify such reports, and shall disclose the information hereinafter provided for as of dates identical with those fixed by the Board of Governors of the Federal Reserve System for reports of the condition of the affiliated member bank. Each such report of an affiliate shall be transmitted as herein provided at the same time as the corresponding report of the affiliated member bank, except that the Board of Governors of the Federal Reserve System may, in its discretion, extend such time for good cause shown. Each such report shall contain such information as

in the judgment of the Board of Governors of the Federal Reserve System shall be necessary to disclose fully the relations between such affiliate and such bank and to enable the Board to inform itself as to the effect of such relations upon the affairs of such bank. The reports of such affiliates shall be published by the bank under the same conditions as govern its own condition reports.

Any such affiliated member bank may be required to obtain from any such affiliate such additional reports as in the opinion of its Federal reserve bank or the Board of Governors of the Federal Reserve System may be necessary in order to obtain a full and complete knowledge of the condition of the affiliated member bank. Such additional reports shall be transmitted to the Federal reserve bank and the Board of Governors of the Federal Reserve System and shall be in such form as the Board of Governors of the Federal Reserve System may prescribe.

Any such affiliated member bank which fails to obtain from any of its affiliates and furnish any report provided for by the two preceding paragraphs of this section shall be subject to a penalty of \$100 for each day during which such failure continues, which, by direction of the Board of Governors of the Federal Reserve System, may be collected, by suit or otherwise, by the Federal reserve bank of the district in which such member bank is located.

State member banks shall be subject to the same limitations and conditions with respect to the purchasing, selling, underwriting, and holding of investment securities and stock as are applicable in the case of national banks under paragraph "Seventh" of section 5136 of the Revised Statutes, as amended.

After the date of the enactment of the Banking Act of 1935, no certificate evidencing the stock of any State member bank shall bear any statement purporting to represent the stock of any other corporation, except a member bank or a corporation engaged on June 16, 1934 in holding the bank premises of such member bank, nor shall the ownership, sale, or transfer of any certificate representing the stock of any State member bank be conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank or a corporation engaged on June 16, 1934 in holding the bank premises of such member bank: *Provided*, That this section shall not operate to prevent the ownership, sale, or transfer of stock of any other corporation being conditioned upon the ownership, sale, or transfer of a certificate representing stock of a State member bank.

In connection with examinations of State member banks, examiners selected or approved by the Board of Governors of the Federal Reserve System shall make such examinations of the affairs of all affiliates of such banks as shall be necessary to disclose fully the relations between such banks and their affiliates and the effect of such relations upon the affairs of such banks. The expense of examination of affiliates of any State member bank may, in the discretion of the Board of Governors of the Federal Reserve System, be assessed against such bank and, when so assessed, shall be paid by such bank. In the event of the refusal to give any information requested in the course of the examination of any such affiliate, or in the event of the refusal to permit such examination, or in the event of the refusal to pay any expense so assessed, the Board of Governors of the Federal Reserve System may, in its discretion, require any or all State member banks affiliated with

such affiliate to surrender their stock in the Federal reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System, as provided in this section.

SECTION 10. BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

The Board of Governors of the Federal Reserve System (hereinafter referred to as the "Board") shall be composed of seven members, to be appointed by the President, by and with the advice and consent of the Senate, after the date of enactment of the Banking Act of 1935, for terms of fourteen years except as hereinafter provided, but each appointive member of the Federal Reserve Board in office on such date shall continue to serve as a member of the Board until February 1, 1936, and the Secretary of the Treasury and the Comptroller of the Currency shall continue to serve as members of the Board until February 1, 1936. In selecting the members of the Board, not more than one of whom shall be selected from any one Federal Reserve district, the President shall have due regard to a fair representation of the financial, agricultural, industrial, and commercial interests, and geographical divisions of the country. The members of the Board shall devote their entire time to the business of the Board and shall each receive an annual salary of \$15,000, payable monthly, together with actual necessary traveling expenses.

The members of the Board shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed. Upon the expiration of the term of any appointive member of the Federal Reserve Board in office on the date of enactment of the Banking Act of 1935, the President shall fix the term of the successor to such member at not to exceed fourteen years, as designated by the President at the time of nomination, but in such manner as to provide for the expiration of the term of not more than one member in any two-year period, and thereafter each member shall hold office for a term of fourteen years from the expiration of the term of his predecessor, unless sooner removed for cause by the President. Of the persons thus appointed, one shall be designated by the President as chairman and one as vice chairman of the Board, to serve as such for a term of four years. The chairman of the Board, subject to its supervision, shall be its active executive officer. Each member of the Board shall within fifteen days after notice of appointment make and subscribe to the oath of office. Upon the expiration of their terms of office, members of the Board shall continue to serve until their successors are appointed and have qualified. Any person appointed as a member of the Board after the date of enactment of the Banking Act of 1935 shall not be eligible for reappointment as such member after he shall have served a full term of fourteen years.

The Board of Governors of the Federal Reserve System shall have power to levy semiannually upon the Federal reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year, and such assessments may include amounts sufficient to provide for the acquisition by the Board in its own name of such site or building in the District

of Columbia as in its judgment alone shall be necessary for the purpose of providing suitable and adequate quarters for the performance of its functions. After approving such plans, estimates, and specifications as it shall have caused to be prepared, the Board may, notwithstanding any other provision of law, cause to be constructed on the site so acquired by it a building suitable and adequate in its judgment for its purposes and proceed to take all such steps as it may deem necessary or appropriate in connection with the construction, equipment, and furnishing of such building. The Board may maintain, enlarge, or remodel any building so acquired or constructed and shall have sole control of such building and space therein.

The principal offices of the Board shall be in the District of Columbia. At meetings of the Board the chairman shall preside, and, in his absence, the vice chairman shall preside. In the absence of the chairman and the vice chairman, the Board shall elect a member to act as chairman pro tempore. The Board shall determine and prescribe the manner in which its obligations shall be incurred and its disbursements and expenses allowed and paid, and may leave on deposit in the Federal Reserve banks the proceeds of assessments levied upon them to defray its estimated expenses and the salaries of its members and employees, whose employment, compensation, leave, and expenses shall be governed solely by the provisions of this [Act] *title*, specific amendments thereof, and rules and regulations of the Board not inconsistent therewith; and funds derived from such assessments shall not be construed to be Government funds or appropriated moneys. No member of the Board of Governors of the Federal Reserve System shall be an officer or director of any bank, banking institution, trust company, or Federal Reserve bank or hold stock in any bank, banking institution, or trust company; and before entering upon his duties as a member of the Board of Governors of the Federal Reserve System he shall certify under oath that he has complied with this requirement, and such certification shall be filed with the secretary of the Board. Whenever a vacancy shall occur, other than by expiration of term, among the six members of the Board of Governors of the Federal Reserve System appointed by the President as above provided, a successor shall be appointed by the President, by and with the advice and consent of the Senate, to fill such vacancy, and when appointed he shall hold office for the unexpired term of his predecessor.

The President shall have power to fill all vacancies that may happen on the Board of Governors of the Federal Reserve System during the recess of the Senate by granting commissions which shall expire with the next session of the Senate.

Nothing in this [Act] *title* contained shall be construed as taking away any powers heretofore vested by law in the Secretary of the Treasury which relate to the supervision, management, and control of the Treasury Department and bureaus under such department, and wherever any power vested by this [Act] *title* in the Board of Governors of the Federal Reserve System or the Federal reserve agent appears to conflict with the powers of the Secretary of the Treasury, such powers shall be exercised subject to the supervision and control of the Secretary.

The Board of Governors of the Federal Reserve System shall annually make a full report of its operations to the Speaker of the House of Representatives, who shall cause the same to be printed for the information of the Congress.

Section three hundred and twenty-four of the Revised Statutes of the United States shall be amended so as to read as follows:

SEC. 324. There shall be in the Department of the Treasury a bureau charged with the execution of all laws passed by Congress relating to the issue and regulation of national currency secured by United States bonds and, under the general supervision of the Board of Governors of the Federal Reserve System, of all Federal Reserve notes, except for the cancellation and destruction, and accounting with respect to such cancellation and destruction, of Federal Reserve notes unfit for circulation, the chief officer of which bureau shall be called the Comptroller of the Currency and shall perform his duties under the general directions of the Secretary of the Treasury.

No Federal reserve bank shall have authority hereafter to enter into any contract or contracts for the erection of any branch bank building of any kind or character, or to authorize the erection of any such building, if the cost of the building proper, exclusive of the cost of the vaults, permanent equipment, furnishings, and fixtures, is in excess of \$250,000: *Provided*, That nothing herein shall apply to any building under construction prior to June 3, 1922: *Provided further*, That the cost as above specified shall not be so limited as long as the aggregate of such costs which are incurred by all Federal Reserve banks for branch bank buildings with the approval of the Board of Governors after the date of enactment of this proviso does not exceed \$60,000,000.

The Board of Governors of the Federal Reserve System shall keep a complete record of the action taken by the Board and by the Federal Open Market Committee upon all questions of policy relating to open-market operations and shall record therein the votes taken in connection with the determination of open-market policies and the reasons underlying the action of the Board and the Committee in each instance. The Board shall keep a similar record with respect to all questions of policy determined by the Board, and shall include in its annual report to the Congress a full account of the action so taken during the preceding year with respect to open-market policies and operations and with respect to the policies determined by it and shall include in such report a copy of the records required to be kept under the provisions of this paragraph.

SECTION 10 (a). EMERGENCY ADVANCES TO GROUPS OF MEMBER BANKS

Upon receiving the consent of not less than five members of the Board of Governors of the Federal Reserve System, any Federal reserve bank may make advances, in such amount as the board of directors of such Federal reserve bank may determine, to groups of five or more member banks within its district, a majority of them independently owned and controlled upon their time or demand promissory notes, provided the bank or banks which receive the proceeds of such advances as herein provided have no adequate amounts of eligible and acceptable assets available to enable such bank or banks to obtain sufficient credit accommodations from the Federal reserve bank through rediscounts or advances other than as provided in section 10 (b). The liability of the individual banks in each group must be limited to such proportion of the total amount advanced to such group as the deposit liability of the respective banks bears to the aggregate deposit liability of all banks in such group, but such advances may be

made to a lesser number of such member banks if the aggregate amount of their deposit liability constitutes at least 10 per centum of the entire deposit liability of the member banks within such district. Such banks shall be authorized to distribute the proceeds of such loans to such of their number and in such amount as they may agree upon, but before so doing they shall require such recipient banks to deposit with a suitable trustee, representing the entire group, their individual notes made in favor of the group protected by such collateral security as may be agreed upon. Any Federal reserve bank making such advance shall charge interest or discount thereon at a rate not less than 1 per centum above its discount rate in effect at the time of making such advance. No such note upon which advances are made by a Federal reserve bank under this section shall be eligible under section 16 of this [Act] *title* as collateral security for Federal reserve notes.

No obligations of any foreign government, individual, partnership, association, or corporation organized under the laws thereof shall be eligible as collateral security for advances under this section.

Member banks are authorized to obligate themselves in accordance with the provisions of this section.

SECTION 10 (b). ADVANCES TO INDIVIDUAL MEMBER BANKS

Any Federal Reserve bank, under rules and regulations prescribed by the Board of Governors of the Federal Reserve System, may make advances to any member bank on its time or demand notes having maturities of not more than four months and which are secured to the satisfaction of such Federal Reserve bank. Each such note shall bear interest at a rate not less than one-half of 1 per centum per annum higher than the highest discount rate in effect at such Federal Reserve bank on the date of such note.

SECTION 11. POWERS OF BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

The Board of Governors of the Federal Reserve System shall be authorized and empowered:

(a) To examine at its discretion the accounts, books and affairs of each Federal reserve bank and of each member bank and to require such statements and reports as it may deem necessary. The said board shall publish once each week a statement showing the condition of each Federal reserve bank and a consolidated statement for all Federal reserve banks. Such statements shall show in detail the assets and liabilities of the Federal reserve banks, single and combined, and shall furnish full information regarding the character of the money held as reserve and the amount, nature and maturities of the paper and other investments owned or held by Federal reserve banks.

(b) To permit, or, on the affirmative vote of at least five members of the Board of Governors of the Federal Reserve System to require Federal reserve banks to rediscount the discounted paper of other Federal reserve banks at rates of interest to be fixed by the Board of Governors of the Federal Reserve System.

(c) To suspend for a period not exceeding thirty days, and from time to time to renew such suspension for periods not exceeding fifteen

days, any reserve requirements specified in this **[Act]** *title*: *Provided*, That it shall establish a graduated tax upon the amounts by which the reserve requirements of this **[Act]** *title* may be permitted to fall below the level hereinafter specified: *And provided further*, That when the reserve held against Federal Reserve notes falls below 25 per centum, the Board of Governors of the Federal Reserve System shall establish a graduated tax of not more than 1 per centum per annum upon such deficiency until the reserves fall to 20 per centum, and when said reserve falls below 20 per centum, a tax at the rate increasingly of not less than $1\frac{1}{2}$ per centum per annum upon each $2\frac{1}{2}$ per centum or fraction thereof that such reserve falls below 20 per centum. The tax shall be paid by the Reserve bank, but the Reserve bank shall add an amount equal to said tax to the rates of interest and discount fixed by the Board of Governors of the Federal Reserve System.

(d) To supervise and regulate through the bureau under the charge of the Comptroller of the Currency the issue and retirement of Federal reserve notes, except for the cancellation and destruction, and accounting with respect to such cancellation and destruction, of notes unfit for circulation, and to prescribe rules and regulations under which such notes may be delivered by the Comptroller to the Federal reserve agents applying therefor.

(e) To add to the number of cities classified as reserve cities under existing law in which national banking associations are subject to the reserve requirements set forth in section twenty of this **[Act]** *title*; or to reclassify existing reserve cities or to terminate their designation as such.

(f) To suspend or remove any officer or director of any Federal reserve bank, the cause of such removal to be forthwith communicated in writing by the Board of Governors of the Federal Reserve System to the removed officer or director and to said bank.

(g) To require the writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.

(h) To suspend, for the violation of any of the provisions of this **[Act]** *title*, the operations of any Federal reserve bank, to take possession thereof, administer the same during the period of suspension, and, when deemed advisable, to liquidate or reorganize such bank.

(i) To require bonds of Federal reserve agents, to make regulations for the safeguarding of all collateral, bonds, Federal reserve notes, money or property of any kind deposited in the hands of such agents, and said board shall perform the duties, functions, or services specified in this **[Act]** *title*, and make all rules and regulations necessary to enable said board effectively to perform the same.

(j) To exercise general supervision over said Federal reserve banks.

(k) To delegate, by published order or rule and subject to the Administrative Procedure Act, any of its functions, other than those relating to rulemaking or pertaining principally to monetary and credit policies, to one or more hearing examiners, members or employees of the Board, or Federal Reserve banks. The assignment of responsibility for the performance of any function that the Board determines to delegate shall be a function of the Chairman. The Board shall, upon the vote of one member, review action taken at a delegated level within such time and in such manner as the Board shall by rule prescribe.

(l) To employ such attorneys, experts, assistants, clerks, or other employees as may be deemed necessary to conduct the business of the

board. All salaries and fees shall be fixed in advance by said board and shall be paid in the same manner as the salaries of the members of said board. All such attorneys, experts, assistants, clerks, and other employees shall be appointed without regard to the provisions of the Act of January sixteenth, eighteen hundred and eighty-three (volume twenty-two, United States Statutes at Large, page four hundred and three), and amendments thereto, or any rule or regulation made in pursuance thereof: *Provided*, That nothing herein shall prevent the President from placing said employees in the classified service.

(m) Upon the affirmative vote of not less than six of its members the Board of Governors of the Federal Reserve System shall have power to fix from time to time for each Federal reserve district the percentage of individual bank capital and surplus which may be represented by loans secured by stock or bond collateral made by member banks within such district, but no such loan shall be made by any such bank to any person in an amount in excess of 10 per centum of the unimpaired capital and surplus of such bank: *Provided*, That with respect to loans represented by obligations secured by not less than a like amount of bonds or notes of the United States issued since April 24, 1917, certificates of indebtedness of the United States, Treasury bills of the United States, or obligations fully guaranteed both as to principal and interest by the United States, such limitation of 10 per centum on loans to any person shall not apply, but State member banks shall be subject to the same limitations and conditions as are applicable in the case of national banks under paragraph (8) of section 5200 of the Revised Statutes, as amended (U.S.C., Supp. VII, title 12, sec. 84). Any percentage so fixed by the Board of Governors of the Federal Reserve System shall be subject to change from time to time upon ten days' notice, and it shall be the duty of the Board to establish such percentages with a view to preventing the undue use of bank loans for the speculative carrying of securities. The Board of Governors of the Federal Reserve System shall have power to direct any member bank to refrain from further increase of its loans secured by stock or bond collateral for any period up to one year under penalty of suspension of all rediscount privileges at Federal reserve banks.

(n) Whenever in the judgment of the Secretary of the Treasury such action is necessary to protect the currency system of the United States, the Secretary of the Treasury, in his discretion, may require any or all individuals, partnerships, associations and corporations to pay and deliver to the Treasurer of the United States any or all gold coin, gold bullion, and gold certificates owned by such individuals, partnerships, associations and corporations. Upon receipt of such gold coin, gold bullion or gold certificates, the Secretary of the Treasury shall pay therefor an equivalent amount of any other form of coin or currency coined or issued under the laws of the United States. The Secretary of the Treasury shall pay all costs of the transportation of such gold bullion, gold certificates, coin, or currency, including the cost of insurance, protection, and such other incidental costs as may be reasonably necessary. Any individual, partnership, association, or corporation failing to comply with any requirement of the Secretary of the Treasury made under this subsection shall be subject to a penalty equal to twice the value of the gold or gold certificates in respect of which such failure occurred, and such penalty may be collected by the Secretary of the Treasury by suit or otherwise.

SECTION 12. FEDERAL ADVISORY COUNCIL

There is hereby created a Federal Advisory Council, which shall consist of as many members as there are Federal reserve districts. Each Federal reserve bank by its board of directors shall annually select from his own Federal reserve district one member of said council, who shall receive such compensation and allowances as may be fixed by his board of directors subject to the approval of the Board of Governors of the Federal Reserve System. The meetings of said advisory council shall be held at Washington, District of Columbia, at least four times each year, and oftener if called by the Board of Governors of the Federal Reserve System. The council may in addition to the meetings above provided for hold such other meetings in Washington, District of Columbia, or elsewhere, as it may deem necessary, may select its own officers and adopt its own methods of procedure, and a majority of its members shall constitute a quorum for the transaction of business. Vacancies in the council shall be filled by the respective reserve banks, and members selected to fill vacancies, shall serve for the unexpired term.

The Federal Advisory Council shall have power, by itself or through its officers, (1) to confer directly with the Board of Governors of the Federal Reserve System on general business conditions; (2) to make oral or written representations concerning matters within the jurisdiction of said board; (3) to call for information and to make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions in the various districts, the purchase and sale of gold or securities by reserve banks, open-market operations by said banks, and the general affairs of the reserve banking system.

SECTION 12A. FEDERAL OPEN MARKET COMMITTEE

(a) There is hereby created a Federal Open Market Committee (hereinafter referred to as the "Committee"), which shall consist of the members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks to be selected as hereinafter provided. Such representatives shall be presidents or first vice presidents of Federal Reserve banks and, beginning with the election for the term commencing March 1, 1943, shall be elected annually as follows: One by the board of directors of the Federal Reserve Bank of New York, one by the boards of directors of the Federal Reserve Banks of Boston, Philadelphia, and Richmond, one by the boards of directors of the Federal Reserve Banks of Cleveland and Chicago, one by the boards of directors of the Federal Reserve Banks of Atlanta, Dallas, and St. Louis, and one by the boards of directors of the Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco. In such elections each board of directors shall have one vote; and the details of such elections may be governed by regulations prescribed by the Committee, which may be amended from time to time. An alternate to serve in the absence of each such representative shall likewise be a president or first vice president of a Federal Reserve bank and shall be elected annually in the same manner. The meetings of said Committee shall be held at Washington, District of Columbia, at least four times each year upon the call of the chairman of the Board of Governors of the Federal Reserve System or at the request of any three members of the Committee.

(b) No Federal Reserve bank shall engage or decline to engage in open-market operations under section 14 of this [Act] *title* except in accordance with the direction of and regulations adopted by the Committee. The Committee shall consider, adopt, and transmit to the several Federal Reserve banks, regulations relating to the open-market transactions of such banks.

(c) The time, character, and volume of all purchases and sales of paper described in section 14 of this [Act] *title* as eligible for open-market operations shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country.

SECTION 13. POWERS OF FEDERAL RESERVE BANKS

Any Federal reserve bank may receive from any of its member banks, and from the United States, deposits of current funds in lawful money, national-bank notes, Federal reserve notes, or checks, and drafts, payable upon presentation, and also, for collection, maturing notes and bills; or, solely for purposes of exchange or of collection, may receive from other Federal reserve banks deposits of current funds in lawful money, national-bank notes, or checks upon other Federal reserve banks, and checks and drafts, payable upon presentation within its district, and maturing notes and bills payable within its district; or, solely for the purposes of exchange or of collection, may receive from any nonmember bank or trust company deposits of current funds in lawful money, national-bank notes, Federal reserve notes, checks and drafts payable upon presentation, or maturing notes and bills: *Provided*, Such nonmember bank or trust company maintains with the Federal reserve bank of its district a balance sufficient to offset the items in transit held for its account by the Federal reserve bank: *Provided further*, That nothing in this or any other section of this [Act] *title* shall be construed as prohibiting a member or nonmember bank from making reasonable charges, to be determined and regulated by the Board of Governors of the Federal Reserve System, but in no case to exceed 10 cents per \$100 or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise; but no such charges shall be made against the Federal reserve banks.

Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice and protest by such bank as to its own indorsement exclusively, any Federal reserve bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Board of Governors of the Federal Reserve System to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this [Act] *title*. Nothing in this [Act] *title* contained shall be construed to prohibit such notes, drafts, and bills of exchange, secured by staple agricultural products, or other goods, wares, or merchandise from being eligible for such discount, and the notes, drafts, and bills of exchange of factors issued as such making advances exclusively to producers of staple agricultural products in their raw state shall be eligible for such discount; but such definition shall not include notes, drafts, or bills covering merely

investments or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States. Notes, drafts, and bills admitted to discount under the terms of this paragraph must have a maturity at the time of discount of not more than 90 days, exclusive of grace.

In unusual and exigent circumstances, the Board of Governors of the Federal Reserve System, by the affirmative vote of not less than five members, may authorize any Federal reserve bank, during such periods as the said board may determine, at rates established in accordance with the provisions of section 14, subdivision (d), of this [Act] *title*, to discount for any individual, partnership, or corporation, notes, drafts, and bills of exchange of the kinds and maturities made eligible for discount for member banks under other provisions of this [Act] *title*, when such notes, drafts, and bills of exchange are indorsed or otherwise secured to the satisfaction of the Federal Reserve bank: *Provided*, That before discounting any such note, draft, or bill of exchange for an individual or a partnership or corporation the Federal reserve bank shall obtain evidence that such individual, partnership, or corporation is unable to secure adequate credit accommodations from other banking institutions. All such discounts for individuals, partnerships, or corporations shall be subject to such limitations, restrictions, and regulations as the Board of Governors of the Federal Reserve System may prescribe.

Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice, and protest by such bank as to its own indorsement exclusively, and subject to regulations and limitations to be prescribed by the Board of Governors of the Federal Reserve System, any Federal reserve bank may discount or purchase bills of exchange payable at sight or on demand which grow out of the domestic shipment or the exportation of nonperishable, readily marketable agricultural and other staples and are secured by bills of lading or other shipping documents conveying or securing title to such staples: *Provided*, That all such bills of exchange shall be forwarded promptly for collection, and demand for payment shall be made with reasonable promptness after the arrival of such staples at their destination: *Provided further*, That no such bill shall in any event be held by or for the account of a Federal reserve bank for a period in excess of ninety days. In discounting such bills Federal reserve banks may compute the interest to be deducted on the basis of the estimated life of each bill and adjust the discount after payment of such bills to conform to the actual life thereof.

The aggregate of notes, drafts, and bills upon which any person, copartnership, association, or corporation is liable as maker, acceptor, indorser, drawer, or guarantor, rediscounted for any member bank, shall at no time exceed the amount for which such person, copartnership, association, or corporation may lawfully become liable to a national banking association under the terms of section 5200 of the Revised Statutes, as amended: *Provided, however*, That nothing in this paragraph shall be construed to change the character or class of paper now eligible for rediscount by Federal reserve banks.

Any Federal reserve bank may discount acceptances of the kinds hereinafter described, which have a maturity at the time of discount of not more than 90 days' sight, exclusive of days of grace, and which are indorsed by at least one member bank: *Provided*, That such accept-

ances if drawn for an agricultural purpose and secured at the time of acceptance by warehouse receipts or other such documents conveying or securing title covering readily marketable staples may be discounted with a maturity at the time of discount of not more than six months' sight exclusive of days of grace.

Any member bank may accept drafts or bills of exchange drawn upon it having not more than six months sight to run, exclusive of days of grace, which grow out of transactions involving the importation or exportation of goods; or which grow out of transactions involving the domestic shipment of goods provided shipping documents conveying or securing title are attached at the time of acceptance; or which are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples. No member bank shall accept, whether in a foreign or domestic transaction, for any one person, company, firm, or corporation to an amount equal at any time in the aggregate to more than ten per centum of its paid-up and unimpaired capital stock and surplus, unless the bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance; and no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half of its paid-up and unimpaired capital stock and surplus: *Provided, however*, That the Board of Governors of the Federal Reserve System, under such general regulations as it may prescribe, which shall apply to all banks alike regardless of the amount of capital stock and surplus, may authorize any member bank to accept such bills to an amount not exceeding at any time in the aggregate one hundred per centum of its paid-up and unimpaired capital stock and surplus: *Provided further*, That the aggregate of acceptances growing out of domestic transactions shall in no event exceed fifty per centum of such capital stock and surplus.

Any Federal reserve bank may make advances for periods not exceeding fifteen days to its member banks on their promissory notes secured by the deposit or pledge of bonds, notes, certificates of indebtedness, or Treasury bills of the United States, or by the deposit or pledge of debentures or other such obligations of Federal intermediate credit banks which are eligible for purchase by Federal reserve banks under section 13 (a) of this [Act] *title*, or by the deposit or pledge of bonds issued under the provisions of subsection (c) of section 4 of the Home Owners' Loan Act of 1933, as amended; and any Federal reserve bank may make advances for periods not exceeding ninety days to its member banks on their promissory notes secured by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Federal reserve banks under the provisions of this [Act] *title*. All such advances shall be made at rates to be established by such Federal reserve banks, such rates to be subject to the review and determination of the Board of Governors of the Federal Reserve System. If any member bank to which any such advance has been made shall, during the life or continuance of such advance, and despite an official warning of the reserve bank of the district or of the Board of Governors of the Federal Reserve System to the contrary, increase its outstanding loans secured by collateral in the form of stocks, bonds, debentures, or other such obligations, or loans made to members of any organized stock exchange, investment house, or dealer in securities, upon any obligation, note, or bill, secured or unsecured, for the purpose of

purchasing and/or carrying stocks, bonds, or other investment securities (except obligations of the United States) such advance shall be deemed immediately due and payable, and such member bank shall be ineligible as a borrower at the reserve bank of the district under the provisions of this paragraph for such period as the Board of Governors of the Federal Reserve System shall determine: *Provided*, That no temporary carrying or clearance loans made solely for the purpose of facilitating the purchase or delivery of securities offered for public subscription shall be included in the loans referred to in this paragraph.

Section fifty-two hundred and two of the Revised Statutes of the United States is hereby amended so as to read as follows: No national banking association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, plus 50 percent of the amount of its unimpaired surplus fund, except on account of demands of the nature following:

First. Notes of circulation.

Second. Moneys deposited with or collected by the association.

Third. Bills of exchange or drafts drawn against money actually on deposit to the credit of the association, or due thereto.

Fourth. Liabilities to the stockholders of the association for dividends and reserve profits.

Fifth. Liabilities incurred under the provisions of the Federal Reserve Act.

Sixth. Liabilities incurred under the provisions of the Federal Deposit Insurance Act.

Seventh. Liabilities created by the indorsement of accepted bills of exchange payable abroad actually owned by the indorsing bank and discounted at home or abroad.

Eighth. Liabilities incurred under the provisions of section 202 of Title II of the Federal Farm Loan Act, approved July 17, 1916, as amended by the Agricultural Credits Act of 1923.

Ninth. Liabilities incurred on account of loans made with the express approval of the Comptroller of the Currency under paragraph (9) of Section 5200 of the Revised Statutes, as amended.

Tenth. Liabilities incurred under the provisions of section 13b of the Federal Reserve Act.

The discount and rediscount and the purchase and sale by any Federal reserve bank of any bills receivable and of domestic and foreign bills of exchange, and of acceptances authorized by this **[Act]** title, shall be subject to such restrictions, limitations, and regulations as may be imposed by the Board of Governors of the Federal Reserve System.

That in addition to the powers now vested by law in national banking associations organized under the laws of the United States any such association located and doing business in any place the population of which does not exceed five thousand inhabitants, as shown by the last preceding decennial census, may, under such rules and regulations as may be prescribed by the Comptroller of the Currency, act as the agent for any fire, life, or other insurance company authorized by the authorities of the State in which said bank is located to do business in said State, by soliciting and selling insurance and collecting premiums on policies issued by such company; and may receive for services so rendered such fees or commissions as

may be agreed upon between the said association and the insurance company for which it may act as agent; and may also act as the broker or agent for others in making or procuring loans on real estate located within one hundred miles of the place in which said bank may be located, receiving for such services a reasonable fee or commission: *Provided, however,* That no such bank shall in any case guarantee either the principal or interest of any such loans or assume or guarantee the payment of any premium on insurance policies issued through its agency by its principal: *And provided further,* That the bank shall not guarantee the truth of any statement made by an assured in filing his application for insurance.

Any member bank may accept drafts or bills of exchange drawn upon it having not more than three months' sight to run, exclusive of days of grace, drawn under regulations to be prescribed by the Board of Governors of the Federal Reserve System by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange as required by the usages of trade in the respective countries, dependencies, or insular possessions. Such drafts or bills may be acquired by Federal reserve banks in such amounts and subject to such regulations, restrictions, and limitations as may be prescribed by the Board of Governors of the Federal Reserve System: *Provided, however,* That no member bank shall accept such drafts or bills of exchange referred to this paragraph for any one bank to an amount exceeding in the aggregate ten per centum of the paid-up and unimpaired capital and surplus of the accepting bank unless the draft or bill of exchange is accompanied by documents conveying or securing title or by some other adequate security: *Provided further,* That no member bank shall accept such drafts or bills in an amount exceeding at any time the aggregate of one-half of its paid-up and unimpaired capital and surplus.

Subject to such limitations, restrictions and regulations as the Board of Governors of the Federal Reserve System may prescribe, any Federal reserve bank may make advances to any individual, partnership or corporation on the promissory notes of such individual, partnership or corporation secured by direct obligations of the United States. Such advances shall be made for periods not exceeding 90 days and shall bear interest at rates fixed from time to time by the Federal reserve bank, subject to the review and determination of the Board of Governors of the Federal Reserve System.

SECTION 13a. DISCOUNT OF AGRICULTURAL PAPER

Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice, and protest by such bank as to its own indorsement exclusively, any Federal reserve bank may, subject to regulations and limitations to be prescribed by the Board of Governors of the Federal Reserve System, discount notes, drafts, and bills of exchange issued or drawn for an agricultural purpose, or based upon live stock, and having a maturity, at the time of discount, exclusive of days of grace, not exceeding nine months, and such notes, drafts, and bills of exchange may be offered as collateral security for the issuance of Federal reserve notes under the provisions of section 16 of this [Act.] *title: Provided,* That notes, drafts, and bills of exchange with maturities in excess of six months shall not be eligible as a basis for the issuance of Federal reserve notes unless secured by warehouse

receipts or other such negotiable documents conveying or securing title to readily marketable staple agricultural products or by chattel mortgage upon live stock which is being fattened for market.

That any Federal reserve bank may, subject to regulations and limitations to be prescribed by the Board of Governors of the Federal Reserve System, rediscount such notes, drafts, and bills for any Federal Intermediate Credit Bank, except that no Federal reserve bank shall rediscount for a Federal Intermediate Credit Bank any such note or obligation which bears the indorsement of a nonmember State bank or trust company which is eligible for membership in the Federal reserve system, in accordance with section 9 of this [Act] *title*. Any Federal reserve bank may also, subject to regulations and limitations to be prescribed by the Board of Governors of the Federal Reserve System, discount notes payable to and bearing the indorsement of any Federal intermediate credit bank, covering loans or advances made by such bank pursuant to the provisions of section 202(a) of Title II of the Federal Farm Loan Act, as amended (U.S.C., title 12, ch. 8, sec. 1031), which have maturities at the time of discount of not more than nine months, exclusive of days of grace, and which are secured by notes, drafts, or bills of exchange eligible for rediscount by Federal Reserve banks.

Any Federal reserve bank may also buy and sell debentures and other such obligations issued by a Federal Intermediate Credit Bank or by a National Agricultural Credit Corporation, but only to the same extent as and subject to the same limitations as those upon which it may buy and sell bonds issued under Title I of the Federal Farm Loan Act.

Notes, drafts, bills of exchange or acceptances issued or drawn by cooperative marketing associations composed of producers of agricultural products shall be deemed to have been issued or drawn for an agricultural purpose, within the meaning of this section, if the proceeds thereof have been or are to be advanced by such association to any members thereof for an agricultural purpose, or have been or are to be used by such association in making payments to any members thereof on account of agricultural products delivered by such members to the association, or if such proceeds have been or are to be used by such association to meet expenditures incurred or to be incurred by the association in connection with the grading, processing, packing, preparation for market, or marketing of any agricultural product handled by such association for any of its members: *Provided*, That the express enumeration in this paragraph of certain classes of paper of cooperative marketing associations as eligible for rediscount shall not be construed as rendering ineligible any other class of paper of such associations which is now eligible for rediscount.

The Board of Governors of the Federal Reserve System may, by regulation, limit to a percentage of the assets of a Federal reserve bank the amount of notes, drafts, acceptances, or bills having a maturity in excess of three months, but not exceeding six months, exclusive of days of grace, which may be discounted by such bank, and the amount of notes, drafts, bills, or acceptances having a maturity in excess of six months, but not exceeding nine months, which may be rediscounted by such bank.

SECTION 14. OPEN-MARKET OPERATIONS

Any Federal reserve bank may, under rules and regulations prescribed by the Board of Governors of the Federal Reserve System, purchase and sell in the open market, at home or abroad, either from or to domestic or foreign banks, firms, corporations, or individuals, cable transfers and bankers' acceptances and bills of exchange of the kinds and maturities by this [Act] title made eligible for rediscount, with or without the indorsement of a member bank.

Every Federal reserve bank shall have power:

(a) To deal in gold coin and bullion at home or abroad, to make loans thereon, exchange Federal reserve notes for gold, gold coin, or gold certificates, and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security, including the hypothecation of United States bonds or other securities which Federal reserve banks are authorized to hold;

(b) (1) To buy and sell, at home or abroad, bonds and notes of the United States, bonds issued under the provisions of subsection (c) of section 4 of the Home Owners' Loan Act of 1933, as amended, and having maturities from date of purchase of not exceeding six months, and bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Board of Governors of the Federal Reserve System: *Provided*, That notwithstanding any other provision of this [Act] title, (1) until July 1, 1968, any bonds, notes, or other obligations which are direct obligations of the United States or which are fully guaranteed by the United States as to principal and interest may be bought and sold without regard to maturities either in the open market or directly from or to the United States; but all such purchases and sales shall be made in accordance with the provisions of section 12A of this [Act] title and the aggregate amount of such obligations acquired directly from the United States which is held at any one time by the twelve Federal Reserve banks shall not exceed \$5,000,000,000; and (2) after June 30, 1968, any bonds, notes, or other obligations which are direct obligations of the United States or which are fully guaranteed by the United States as to principal and interest may be bought and sold without regard to maturities but only in the open market. The Board of Governors of the Federal Reserve System shall include in their annual report to Congress detailed information with respect to direct purchases and sales from or to the United States under the provisions of the preceding proviso.

(2) To buy and sell in the open market, under the direction and regulations of the Federal Open Market Committee, any obligation which is a direct obligation of, or fully guaranteed as to principal and interest by, any agency of the United States.

(c) To purchase from member banks and to sell, with or without its indorsement, bills of exchange arising out of commercial transactions, as hereinbefore defined;

(d) To establish from time to time, subject to review and determination of the Board of Governors of the Federal Reserve System, rates of discount to be charged by the Federal reserve bank for each

class of paper, which shall be fixed with a view of accommodating commerce and business; but each such bank shall establish such rates every fourteen days, or oftener if deemed necessary by the Board;

(e) To establish accounts with other Federal reserve banks for exchange purposes and, with the consent or upon the order and direction of the Board of Governors of the Federal Reserve System and under regulations to be prescribed by said board, to open and maintain accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may be deemed best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell, with or without its indorsement, through such correspondents or agencies, bills of exchange (or acceptances) arising out of actual commercial transactions which have not more than ninety days to run, exclusive of days of grace, and which bear the signature of two or more responsible parties, and, with the consent of the Board of Governors of the Federal Reserve System, to open and maintain banking accounts for such foreign correspondents or agencies, or for foreign banks or bankers or for foreign states as defined in section 25(b) of this **[Act]** *title*. Whenever any such account has been opened or agency or correspondent has been appointed by a Federal reserve bank, with the consent of or under the order and direction of the Board of Governors of the Federal Reserve System, any other Federal reserve bank may, with the consent and approval of the Board of Governors of the Federal Reserve System, be permitted to carry on or conduct, through the Federal reserve bank opening such account or appointing such agency or correspondent, any transaction authorized by this section under rules and regulations to be prescribed by the board.

(f) To purchase and sell in the open market, either from or to domestic banks, firms, corporations, or individuals, acceptances of Federal Intermediate Credit Banks and of National Agricultural Credit Corporations, whenever the Board of Governors of the Federal Reserve System shall declare that the public interest so requires.

(g) The Board of Governors of the Federal Reserve System shall exercise special supervision over all relationships and transactions of any kind entered into by any Federal reserve bank with any foreign bank or banker, or with any group of foreign banks or bankers, and all such relationships and transactions shall be subject to such regulations, conditions, and limitations as the Board may prescribe. No officer or other representative of any Federal reserve bank shall conduct negotiations of any kind with the officers or representatives of any foreign bank or banker without first obtaining the permission of the Board of Governors of the Federal Reserve System. The Board of Governors of the Federal Reserve System shall have the right, in its discretion, to be represented in any conference or negotiations by such representative or representatives as the Board may designate. A full report of all conferences or negotiations, and all understandings or agreements arrived at or transactions agreed upon, and all other material facts appertaining to such conferences or negotiations, shall be filed with the Board of Governors of the Federal Reserve System in writing by a duly authorized officer of each Federal reserve bank which shall have participated in such conferences or negotiations.

SECTION 15. GOVERNMENT DEPOSITS

The moneys held in the general fund of the Treasury, except the five per centum fund for the redemption of outstanding national-bank notes and the funds provided in this [Act] *title* for the redemption of Federal reserve notes may, upon the direction of the Secretary of the Treasury, be deposited in Federal reserve banks, which banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States; and the revenues of the Government or any part thereof may be deposited in such banks, and disbursements may be made by checks drawn against such deposits.

No public funds of the Philippine Islands, or of the postal savings, or any Government funds, shall be deposited in the continental United States in any bank not belonging to the system established by this [Act] *title*: *Provided, however,* That nothing in this [Act] *title* shall be construed to deny the right of the Secretary of the Treasury to use member banks as depositories.

The Federal reserve banks are hereby authorized to act as depositories for and fiscal agents of any National Agricultural Credit Corporation or Federal Intermediate Credit Bank.

SECTION 16. NOTE ISSUES

Federal reserve notes, to be issued at the discretion of the Board of Governors of the Federal Reserve System for the purpose of making advances to Federal reserve banks through the Federal reserve agents as hereinafter set forth and for no other purpose, are hereby authorized. The said notes shall be obligations of the United States and shall be receivable by all national and member banks and Federal reserve banks and for all taxes, customs, and other public dues. They shall be redeemed in lawful money on demand at the Treasury Department of the United States, in the city of Washington, District of Columbia, or at any Federal Reserve bank.

Any Federal Reserve bank may make application to the local Federal Reserve agent for such amount of the Federal Reserve notes hereinbefore provided for as it may require. Such application shall be accompanied with a tender to the local Federal Reserve agent of collateral in amount equal to the sum of the Federal Reserve notes thus applied for and issued pursuant to such application. The collateral security thus offered shall be notes, drafts, bills of exchange, or acceptances acquired under the provisions of section 13 of this [Act] *title*, or bills of exchange endorsed by a member bank of any Federal Reserve district and purchased under the provisions of section 14 of this [Act] *title*, or bankers' acceptances purchased under the provisions of said section 14, or gold certificates, or direct obligations of the United States. In no event shall such collateral security be less than the amount of Federal Reserve notes applied for. The Federal Reserve agent shall each day notify the Board of Governors of the Federal Reserve System of all issues and withdrawals of Federal Reserve notes to and by the Federal Reserve bank to which he is accredited. The said Board of Governors of the Federal Reserve System may at any time call upon a Federal Reserve bank for additional security to protect the Federal Reserve notes issued to it.

Every Federal Reserve bank shall maintain reserves in gold certificates of not less than 25 per centum against its Federal Reserve

notes in actual circulation: *Provided, however,* That when the Federal Reserve agent holds gold certificates as collateral for Federal Reserve notes issued to the bank such gold certificates shall be counted as part of the reserve which such bank is required to maintain against its Federal Reserve notes in actual circulation. Notes so paid out shall bear upon their faces a distinctive letter and serial number which shall be assigned by the Board of Governors of the Federal Reserve System to each Federal Reserve bank. Notes presented for redemption at the Treasury of the United States shall be paid out of the redemption fund and returned to the Federal Reserve banks through which they were originally issued, and thereupon such Federal Reserve bank shall, upon demand of the Secretary of the Treasury, reimburse such redemption fund in lawful money or, if such Federal Reserve notes have been redeemed by the Treasurer in gold certificates, then such funds shall be reimbursed to the extent deemed necessary by the Secretary of the Treasury in gold certificates, and such Federal Reserve bank shall, so long as any of its Federal Reserve notes remain outstanding, maintain with the Treasurer in gold certificates an amount sufficient in the judgment of the Secretary to provide for all redemptions to be made by the Treasurer. Federal Reserve notes received by the Treasurer otherwise than for redemption may be exchanged for gold certificates out of the redemption fund hereinafter provided and returned to the Reserve bank through which they were originally issued, or they may be returned to such bank for the credit of the United States. Federal Reserve notes unfit for circulation shall be canceled, destroyed, and accounted for under procedures prescribed and at locations designated by the Secretary of the Treasury. Upon destruction of such notes, credit with respect thereto shall be apportioned among the twelve Federal Reserve banks as determined by the Board of Governors of the Federal Reserve System.

The Board of Governors of the Federal Reserve System shall require each Federal Reserve bank to maintain on deposit in the treasury of the United States a sum in gold certificates sufficient in the judgment of the Secretary of the Treasury for the redemption of the Federal Reserve notes issued to such bank, but in no event less than 5 per centum of the total amount of notes issued less the amount of gold certificates held by the Federal Reserve agent as collateral security; but such deposit of gold certificates shall be counted and included as part of the 25 per centum reserve hereinbefore required to be maintained against Federal Reserve notes in actual circulation. The Board shall have the right, acting through the Federal Reserve agent, to grant in whole or in part, or to reject entirely the application of any Federal Reserve bank for Federal Reserve notes; but to the extent that such application may be granted the Board of Governors of the Federal Reserve System shall, through its local Federal Reserve agent, supply Federal Reserve notes to the banks so applying, and such bank shall be charged with the amount of the notes issued to it and shall pay such rate of interest as may be established by the Board of Governors of the Federal Reserve System on only that amount of such notes which equals the total amount of its outstanding Federal Reserve notes less the amount of gold certificates held by the Federal Reserve agent as collateral security. Federal Reserve notes issued to any such bank shall, upon delivery, together with such notes of such Federal Reserve bank as may be issued under section 18 of this **[Act]** *title* upon security of

United States 2 per centum Government bonds, become a first and paramount lien on all the assets of such bank.

Any Federal Reserve bank may at any time reduce its liability for outstanding Federal Reserve notes by depositing with the Federal Reserve agent its Federal Reserve notes, gold certificates, or lawful money of the United States. Federal Reserve notes so deposited shall not be reissued, except upon compliance with the conditions of an original issue. The liability of a Federal Reserve bank with respect to its outstanding Federal Reserve notes shall be reduced by any amount paid by such bank to the Secretary of the Treasury under section 4 of the Old Series Currency Adjustment Act.

The Federal Reserve agent shall hold such gold certificates or lawful money available exclusively for exchange for the outstanding Federal Reserve notes when offered by the Reserve bank of which he is a director. Upon the request of the Secretary of the Treasury the Board of Governors of the Federal Reserve System shall require the Federal Reserve agent to transmit to the Treasurer of the United States so much of the gold certificates held by him as collateral security for Federal Reserve notes as may be required for the exclusive purpose of the redemption of such Federal Reserve notes, but such gold certificates when deposited with the Treasurer shall be counted and considered as if collateral security on deposit with the Federal Reserve agent.

Any Federal reserve bank may at its discretion withdraw collateral deposited with the local Federal reserve agent for the protection of its Federal reserve notes issued to it and shall at the same time substitute therefor other collateral of equal amount with the approval of the Federal reserve agent under regulations to be prescribed by the Board of Governors of the Federal Reserve System. Any Federal reserve bank may retire any of its Federal reserve notes by depositing them with the Federal reserve agent or with the Treasurer of the United States, and such Federal reserve bank shall thereupon be entitled to receive back the collateral deposited with the Federal reserve agent for the security of such notes. Any Federal Reserve bank shall further be entitled to receive back the collateral deposited with the Federal Reserve agent for the security of any notes with respect to which such bank has made payment to the Secretary of the Treasury under section 4 of the Old Series Currency Adjustment Act. Federal Reserve banks shall not be required to maintain the reserve or the redemption fund heretofore provided for against Federal Reserve notes which have been retired, or as to which payment has been made to the Secretary of the Treasury under section 4 of the Old Series Currency Adjustment Act. Federal reserve notes so deposited shall not be reissued except upon compliance with the conditions of an original issue.

All Federal Reserve notes and all gold certificates and lawful money issued to or deposited with any Federal Reserve agent under the provisions of the Federal Reserve Act shall hereafter be held for such agent, under such rules and regulations as the Board of Governors of the Federal Reserve System may prescribe, in the joint custody of himself and the Federal Reserve bank to which he is accredited. Such agent and such Federal Reserve bank shall be jointly liable for the safekeeping of such Federal Reserve notes, gold certificates, and lawful money. Nothing herein contained, however, shall be construed to prohibit a Federal Reserve agent from depositing gold certificates with the Board of Governors of the Federal Reserve System, to be

held by such Board subject to his order, or with the Treasurer of the United States for the purposes authorized by law.

In order to furnish suitable notes for circulation as Federal reserve notes, the Comptroller of the Currency shall, under the direction of the Secretary of the Treasury, cause plates and dies to be engraved in the best manner to guard against counterfeits and fraudulent alterations, and shall have printed therefrom and numbered such quantities of such notes of the denominations of \$1, \$2, \$5, \$10, \$20, \$50, \$100, \$500, \$1,000, \$5,000, \$10,000 as may be required to supply the Federal reserve banks. Such notes shall be in form and tenor as directed by the Secretary of the Treasury under the provisions of this [Act] *title* and shall bear the distinctive numbers of the several Federal reserve banks through which they are issued.

When such notes have been prepared, they shall be deposited in the Treasury, or in the subtreasury or mint of the United States nearest the place of business of each Federal reserve bank and shall be held for the use of such bank subject to the order of the Comptroller of the Currency for their delivery, as provided by this [Act] *title*.

The plates and dies to be procured by the Comptroller of the Currency for the printing of such circulating notes shall remain under his control and direction, and the expenses necessarily incurred in executing the laws relating to the procuring of such notes, and all other expenses incidental to their issue and retirement, shall be paid by the Federal reserve banks, and the Board of Governors of the Federal Reserve System shall include in its estimate of expenses levied against the Federal reserve banks a sufficient amount to cover the expenses herein provided for.

The examination of plates, dies, bed pieces, and so forth, and regulations relating to such examination of plates, dies, and so forth, of national-bank notes provided for in section fifty-one hundred and seventy-four Revised Statutes, is hereby extended to include notes herein provided for.

Any appropriation heretofore made out of the general funds of the Treasury for engraving plates and dies, the purchase of distinctive paper, or to cover any other expense in connection with the printing of national-bank notes or notes provided for by the Act of May thirtieth, nineteen hundred and eight, and any distinctive paper that may be on hand at the time of the passage of this [Act] *title* may be used in the discretion of the Secretary for the purposes of this [Act] *title*, and should the appropriations heretofore made be insufficient to meet the requirements of this [Act] *title* in addition to circulating notes provided for by existing law, the Secretary is hereby authorized to use so much of any funds in the Treasury not otherwise appropriated for the purpose of furnishing the notes aforesaid: *Provided, however,* That nothing in this section contained shall be construed as exempting national banks or Federal reserve banks from their liability to reimburse the United States for any expenses incurred in printing and issuing circulating notes.

Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank. Nothing herein contained

shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons. The Board of Governors of the Federal Reserve System shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank.

The Board of Governors of the Federal Reserve System shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal reserve banks and their branches, and may at its discretion exercise the functions of a clearing house for such Federal reserve banks, or may designate a Federal reserve bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks.

The Secretary of the Treasury is hereby authorized and directed to receive deposits of gold or of gold certificates with the Treasury or any Assistant Treasurer of the United States when tendered by any Federal Reserve bank or Federal Reserve agent for credit to its or his account with the Board of Governors of the Federal Reserve System. The Secretary shall prescribe by regulation the form of receipt to be issued by the Treasurer or Assistant Treasurer to the Federal Reserve bank or Federal Reserve agent making the deposit, and a duplicate of such receipt shall be delivered to the Board of Governors of the Federal Reserve System by the Treasurer at Washington upon proper advices from any Assistant Treasurer that such deposit has been made. Deposits so made shall be held subject to the orders of the Board of Governors of the Federal Reserve System and shall be payable in gold certificates on the order of the Board of Governors of the Federal Reserve System to any Federal Reserve bank or Federal Reserve agent at the Treasury or at the Subtreasury of the United States nearest the place of business of such Federal Reserve bank or such Federal Reserve agent. The order used by the Board of Governors of the Federal Reserve System in making such payments shall be signed by the chairman or vice chairman, or such other officers or members as the Board may by regulation prescribe. The form of such order shall be approved by the Secretary of the Treasury.

The expenses necessarily incurred in carrying out these provisions, including the cost of the certificates or receipts issued for deposits received, and all expenses incident to the handling of such deposits shall be paid by the Board of Governors of the Federal Reserve System and included in its assessments against the several Federal Reserve banks.

Deposits made under this section standing to the credit of any Federal Reserve bank with the Board of Governors of the Federal Reserve System shall, at the option of said bank, be counted as part of the lawful reserve which it is required to maintain against outstanding Federal Reserve notes.

Nothing in this section shall be construed as amending section six of the Act of March fourteenth, nineteen hundred, as amended by the Acts of March fourth, nineteen hundred and seven, March second, nineteen hundred and eleven, and June twelfth, nineteen hundred and sixteen, nor shall the provisions of this section be construed to apply to the deposits made or to the receipts or certificates issued under those Acts.

SECTION 17. DEPOSIT OF BONDS BY NATIONAL BANKS

So much of the provisions of section fifty-one hundred and fifty-nine of the Revised Statutes of the United States, and section four of the Act of June twentieth, eighteen hundred and seventy-four, and section eight of the Act of July twelfth, eighteen hundred and eighty-two, and of any other provisions of existing statutes as require that before any national banking association shall be authorized to commence banking business it shall transfer and deliver to the Treasurer of the United States a stated amount of United States registered bonds, and so much of those provisions or of any other provisions of existing statutes as require any national banking association now or hereafter organized to maintain a minimum deposit of such bonds with the Treasurer is hereby repealed.

SECTION 18. REFUNDING BONDS

After two years from the passage of this [Act] *title*, and at any time during a period of twenty years thereafter, any member bank desiring to retire the whole or any part of its circulating notes, may file with the Treasurer of the United States an application to sell for its account, at par and accrued interest, United States bonds securing circulation to be retired.

The Treasurer shall, at the end of each quarterly period, furnish the Board of Governors of the Federal Reserve System with a list of such applications, and the Board of Governors of the Federal Reserve System may, in its discretion, require the Federal reserve banks to purchase such bonds from the banks whose applications have been filed with the Treasurer at least ten days before the end of any quarterly period at which the Board of Governors of the Federal Reserve System may direct the purchase to be made: *Provided*, That Federal reserve banks shall not be permitted to purchase an amount to exceed \$25,000,-000 of such bonds in any one year, and which amount shall include bonds acquired under section four of this [Act] *title* by the Federal reserve bank.

Provided further, That the Board of Governors of the Federal Reserve System shall allot to each Federal reserve bank such proportion of such bonds as the capital and surplus of such bank shall bear to the aggregate capital and surplus of all the Federal reserve banks.

Upon notice from the Treasurer of the amount of bonds so sold for its account, each member bank shall duly assign and transfer, in writing such bonds to the Federal reserve bank purchasing the same, and such Federal reserve bank shall, thereupon, deposit lawful money with the Treasurer of the United States for the purchase price of such bonds, and the Treasurer shall pay to the member bank selling such bonds any balance due after deducting a sufficient sum to redeem its outstanding notes secured by such bonds, which notes shall be canceled and permanently retired when redeemed.

The Federal reserve banks purchasing such bonds shall be permitted to take out an amount of circulating notes equal to the par value of such bonds.

Upon the deposit with the Treasurer of the United States, (a) of any direct obligations of the United States or (b) of any notes, drafts, bills of exchange, or bankers' acceptances acquired under the provisions of this [Act] *title*, any Federal reserve bank making such

deposit in the manner prescribed by the Secretary of the Treasury shall be entitled to receive from the Comptroller of the Currency circulating notes in blank, duly registered and countersigned. When such circulating notes are issued against the security of obligations of the United States, the amount of such circulating notes shall be equal to the face value of the direct obligations of the United States so deposited as security; and, when issued against the security of notes, drafts, bills of exchange and bankers' acceptances acquired under the provisions of this **[Act]** *title*, the amount thereof shall be equal to not more than 90 per cent of the estimated value of such notes, drafts, bills of exchange and bankers' acceptances so deposited as security. Such notes shall be the obligations of the Federal reserve bank procuring the same, shall be in form prescribed by the Secretary of the Treasury, shall be receivable at par in all parts of the United States for the same purposes as are national bank notes, and shall be redeemable in lawful money of the United States on presentation at the United States Treasury or at the bank of issue. The Secretary of the Treasury is authorized and empowered to prescribe regulations governing the issuance, redemption, replacement, retirement and destruction of such circulating notes and the release and substitution of security therefor. Such circulating notes shall be subject to the same tax as is provided by law for the circulating notes of national banks secured by 2 per cent bonds of the United States. No such circulating notes shall be issued under this paragraph after the President has declared by proclamation that the emergency recognized by the President by proclamation of March 6, 1933, has terminated, unless such circulating notes are secured by deposits of bonds of the United States bearing the circulation privilege. When required to do so by the Secretary of the Treasury, each Federal reserve agent shall act as agent of the Treasurer of the United States or of the Comptroller of the Currency, or both, for the performance of any of the functions which the Treasurer or the Comptroller may be called upon to perform in carrying out the provisions of this paragraph. Appropriations available for distinctive paper and printing United States currency or national bank currency are hereby made available for the production of the circulating notes of Federal reserve banks herein provided; but the United States shall be reimbursed by the Federal reserve bank to which such notes are issued for all expenses necessarily incurred in connection with the procuring of such notes and all other expenses incidental to their issue, redemption, replacement, retirement and destruction.

Upon application of any Federal reserve bank, approved by the Board of Governors of the Federal Reserve System, the Secretary of the Treasury may issue, in exchange for United States two per centum gold bonds bearing the circulation privilege, but against which no circulation is outstanding, one-year gold notes of the United States without the circulation privilege, to an amount not to exceed one-half of the two per centum bonds so tendered for exchange, and thirty-year three per centum gold bonds without the circulation privilege for the remainder of the two per centum bonds so tendered: *Provided*, That at the time of such exchange the Federal reserve bank obtaining such one-year gold notes shall enter into an obligation with the Secretary of the Treasury binding itself to purchase from the United States for gold at the maturity of such one-year notes, an amount equal to those delivered in exchange for such bonds, if so requested by the Secretary, and at each maturity of one-year notes so purchased by such Federal

reserve bank, to purchase from the United States such an amount of one-year notes as the Secretary may tender to such bank, not to exceed the amount issued to such bank in the first instance, in exchange for the two per centum United States gold bonds; said obligation to purchase at maturity such notes shall continue in force for a period not to exceed thirty years.

For the purpose of making the exchange herein provided for, the Secretary of the Treasury is authorized to issue at par Treasury notes in coupon or registered form as he may prescribe in denominations of one hundred dollars, or any multiple thereof, bearing interest at the rate of three per centum per annum, payable quarterly, such Treasury notes to be payable not more than one year from the date of their issue in gold coin of the present standard value, and to be exempt as to principal and interest from the payment of all taxes and duties of the United States except as provided by this **[Act]** *title*, as well as from taxes in any form by or under State, municipal, or local authorities. And for the same purpose, the Secretary is authorized and empowered to issue United States gold bonds at par, bearing three per centum interest payable thirty years from date of issue, such bonds to be of the same general tenor and effect and to be issued under the same general terms and conditions as the United States three per centum bonds without the circulation privilege now issued and outstanding.

Upon application of any Federal reserve bank, approved by the Board of Governors of the Federal Reserve System, the Secretary may issue at par such three per centum bonds in exchange for the one-year gold notes herein provided for.

SECTION 19. BANK RESERVES

(a) The Board is authorized for the purposes of this section to define the terms used in this section, to determine what shall be deemed a payment of interest, and to prescribe such regulations as it may deem necessary to effectuate the purposes of this section and to prevent evasions thereof.

(b) Every member bank shall maintain reserves against its deposits in such ratios as shall be determined by the affirmative vote of not less than four members of the Board within the following limitations:

(1) In the case of any member bank in a reserve city, the minimum reserve ratio for any demand deposit shall be not less than 10 per centum and not more than 22 per centum, except that the Board, either in individual cases or by regulation, on such basis as it may deem reasonable and appropriate in view of the character of business transacted by such bank, may make applicable the reserve ratios prescribed for banks not in reserve cities.

(2) In the case of any member bank not in a reserve city, the minimum reserve ratio for any demand deposit shall be not less than 7 per centum and not more than 14 per centum.

(3) In the case of any deposit other than a demand deposit, the minimum reserve ratio shall be not less than 3 per centum and not more than 10 per centum.

(c) Reserves held by any member bank to meet the requirements imposed pursuant to subsection (b) of this section shall be in the form of—

(1) balances maintained for such purpose by such bank in the Federal Reserve bank of which it is a member, and

(2) the currency and coin held by such bank, or such part thereof as the Board may by regulation prescribe.

(d) No member bank shall act as the medium or agent of any non-banking corporation, partnership, association, business trust, or individual in making loans on the security of stocks, bonds, and other investment securities to brokers or dealers in stocks, bonds, and other investment securities. Every violation of this provision by any member bank shall be punishable by a fine of not more than \$100 per day during the continuance of such violation; and such fine may be collected, by suit or otherwise, by the Federal reserve bank of the district in which such member bank is located.

(e) No member bank shall keep on deposit with any State bank or trust company which is not a member bank a sum in excess of ten per centum of its own paid-up capital and surplus. No member bank shall act as the medium or agent of a nonmember bank in applying for or receiving discounts from a Federal reserve bank under the provisions of this [Act] title, except by permission of the Board of Governors of the Federal Reserve System.

(f) The required balance carried by a member bank with a Federal reserve bank may, under the regulations and subject to such penalties as may be prescribed by the Board of Governors of the Federal Reserve System, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities.

(g) In estimating the reserve balances required by this [Act] title, member banks may deduct from the amount of their gross demand deposits the amounts of balances due from other banks (except Federal reserve banks and foreign banks) and cash items in process of collection payable immediately upon presentation in the United States, within the meaning of these terms as defined by the Board of Governors of the Federal Reserve System.

(h) National banks, or banks organized under local laws, located in a dependency or insular possession or any part of the United States outside the continental United States may remain nonmember banks, and shall in that event maintain reserves and comply with all the conditions now provided by law regulating them; or said banks may, with the consent of the Board of Governors of the Federal Reserve System, become member banks of any one of the reserve districts, and shall in that event take stock, maintain reserves, and be subject to all the other provisions of this [Act] title.

(i) No member bank shall, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand: *Provided*, That nothing herein contained shall be construed as prohibiting the payment of interest in accordance with the terms of any certificate of deposit or other contract entered into in good faith which is in force on the date on which the bank becomes subject to the provisions of this paragraph; but no such certificate of deposit or other contract shall be renewed or extended unless it shall be modified to conform to this paragraph, and every member bank shall take such action as may be necessary to conform to this paragraph as soon as possible consistently with its contractual obligations: *Provided*

further, That this paragraph shall not apply to any deposit of such bank which is payable only at an office thereof located outside of the States of the United States and the District of Columbia: *Provided further*, That until the expiration of two years after the date of enactment of the Banking Act of 1935 this paragraph shall not apply (1) to any deposit made by a savings bank as defined in section 12B of this [Act] *title*, as amended, or by a mutual savings bank, or (2) to any deposit of public funds made by or on behalf of any State, county, school district, or other subdivision or municipality, or to any deposit of trust funds if the payment of interest with respect to such deposit of public funds or of trust funds is required by State law. So much of existing law as requires the payment of interest with respect to any funds deposited by the United States, by any Territory, District, or possession thereof (including the Philippine Islands), or by any public instrumentality, agency, or officer of the foregoing, as is inconsistent with the provisions of this section as amended, is hereby repealed.

(j) The Board may from time to time, after consulting with the Board of Directors of the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board, limit by regulation the rates of interest which may be paid by member banks on time and savings deposits. The Board may prescribe different rate limitations for different classes of deposits, for deposits of different amounts or with different maturities or subject to different conditions regarding withdrawal or repayment, according to the nature or location of member banks or their depositors, or according to such other reasonable bases as the Board may deem desirable in the public interest. No member bank shall pay any time deposit before its maturity except upon such conditions and in accordance with such rules and regulations as may be prescribed by the said Board, or waive any requirement of notice before payment of any savings deposit except as to all savings deposits having the same requirement: *Provided*, That the provisions of this paragraph shall not apply to any deposit which is payable only at an office of a member bank located outside of the States of the United States and the District of Columbia. During the period commencing on October 15, 1962, and ending on October 15, 1968, the provisions of this paragraph shall not apply to the rate of interest which may be paid by member banks on time deposits of foreign governments, monetary and financial authorities of foreign governments when acting as such, or international financial institutions of which the United States is a member.

SECTION 20. NATIONAL BANK NOTES REDEMPTION FUND AS RESERVE

So much of sections two and three of the Act of June twentieth, eighteen hundred and seventy-four, entitled "An Act fixing the amount of United States notes, providing for a redistribution of the national-bank currency, and for other purposes", as provides that the fund deposited by any national banking association with the Treasurer of the United States for the redemption of its notes shall be counted as a part of its lawful reserve as provided in the Act aforesaid, is hereby repealed. And from and after the passage of this [Act] *title* such fund of five per centum shall in no case be counted by any national banking association as a part of its lawful reserve.

SECTION 21. BANK EXAMINATIONS

Section fifty-two hundred and forty, United States Revised Statutes, is amended to read as follows:

The Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall appoint examiners who shall examine every national bank twice in each calendar year, but the Comptroller, in the exercise of his discretion, may waive one such examination or cause such examinations to be made more frequently if considered necessary. The waiver of one such examination as above provided shall not be exercised more frequently than once during any two-year period. The examiner making the examination of any national bank shall have power to make a thorough examination of all the affairs of the bank and in doing so he shall have power to administer oaths and to examine any of the officers and agents thereof under oath and shall make a full and detailed report of the condition of said bank to the Comptroller of the Currency: *Provided*, That in making the examination of any national bank the examiners shall include such an examination of the affairs of all its affiliates other than member banks as shall be necessary to disclose fully the relations between such bank and such affiliates and the effect of such relations upon the affairs of such bank; and in the event of the refusal to give any information required in the course of the examination of any such affiliate, or in the event of the refusal to permit such examination, all the rights, privileges, and franchises of the bank shall be subject to forfeiture in accordance with section 2 of the Federal Reserve Act, as amended (U.S.C., title 12, secs. 141, 222-225, 281-286, and 502). The Comptroller of the Currency shall have power, and he is hereby authorized, to publish the report of his examination of any national banking association or affiliate which shall not within one hundred and twenty days after notification of the recommendations or suggestions of the Comptroller, based on said examination, have complied with the same to his satisfaction. Ninety days' notice prior to such publicity shall be given to the bank or affiliate.

The examiner making the examination of any affiliate of a national bank shall have power to make a thorough examination of all the affairs of the affiliate, and in doing so he shall have power to administer oaths and to examine any of the officers, directors, employees, and agents thereof under oath and to make a report of his findings to the Comptroller of the Currency. The expense of examinations of such affiliates may be assessed by the Comptroller of the Currency upon the affiliates examined in proportion to assets or resources held by the affiliates upon the dates of examination of the various affiliates. If any such affiliate shall refuse to pay such expenses or shall fail to do so within sixty days after the date of such assessment, then such expenses may be assessed against the affiliated national bank and, when so assessed, shall be paid by such national bank: *Provided, however*, That, if the affiliation is with two or more national banks, such expenses may be assessed against, and collected from, any or all of such national banks in such proportions as the Comptroller of the Currency may prescribe. The examiners and assistant examiners making the examinations of national banking associations and affiliates thereof herein provided for and the chief examiners, reviewing examiners and other persons whose services may be required in connection with such examinations or the reports thereof, shall be employed by the Comptroller of the Currency with the

approval of the Secretary of the Treasury; the employment and compensation of examiners, chief examiners, reviewing examiners, assistant examiners, and of the other employees of the office of the Comptroller of the Currency whose compensation is and shall be paid from assessments on banks or affiliates thereof shall be without regard to the provisions of other laws applicable to officers or employees of the United States. The funds derived from such assessments may be deposited by the Comptroller of the Currency in accordance with the provisions of section 5234 of the Revised Statutes (U.S.C., title 12, sec. 192) and shall not be construed to be Government funds or appropriated monies; and the Comptroller of the Currency is authorized and empowered to prescribe regulations governing the computation and assessment of the expenses of examinations herein provided for and the collection of such assessments from the banks and/or affiliates examined. If any affiliate of a national bank shall refuse to permit an examiner to make an examination of the affiliate or shall refuse to give any information required in the course of any such examination, the national bank with which it is affiliated shall be subject to a penalty of not more than \$100 for each day that any such refusal shall continue. Such penalty may be assessed by the Comptroller of the Currency and collected in the same manner as expenses of examinations.

The Comptroller of the Currency shall fix the salaries of all bank examiners and make report thereof to Congress. The expense of the examinations herein provided for shall be assessed by the Comptroller of the Currency upon national banks in proportion to their assets or resources. The assessments may be made more frequently than annually at the discretion of the Comptroller of the Currency. The annual rate of such assessment shall be the same for all national banks, except that banks examined more frequently than twice in one calendar year shall, in addition, be assessed the expense of these additional examinations.

In addition to the examinations made and conducted by the Comptroller of the Currency, every Federal reserve bank may, with the approval of the Federal reserve agent or the Board of Governors of the Federal Reserve System, provide for special examination of member banks within its district. The expense of such examinations may, in the discretion of the Board of Governors of the Federal Reserve System, be assessed against the banks examined, and, when so assessed, shall be paid by the banks examined. Such examinations shall be so conducted as to inform the Federal reserve bank of the condition of its member banks and of the lines of credit which are being extended by them. Every Federal reserve bank shall at all times furnish to the Board of Governors of the Federal Reserve System such information as may be demanded concerning the condition of any member bank within the district of the said Federal reserve bank.

No bank shall be subject to any visitatorial powers other than such as are authorized by law, or vested in the courts of justice or such as shall be or shall have been exercised or directed by Congress, or by either House thereof or by any committee of Congress or of either House duly authorized.

The Board of Governors of the Federal Reserve System shall, at least once each year, order an examination of each Federal reserve bank, and upon joint application of ten member banks the Board of

Governors of the Federal Reserve System shall order a special examination and report of the condition of any Federal reserve bank.

In addition to the expense of examination to be assessed by the Comptroller of the Currency as heretofore provided, all national banks exercising fiduciary powers and all banks or trust companies in the District of Columbia exercising fiduciary powers shall be assessed by the Comptroller of the Currency for the examination of their fiduciary activities a fee adequate to cover the expense thereof.

Whenever member banks are required to obtain reports from affiliates, or whenever affiliates of member banks are required to submit to examination, the Board of Governors of the Federal Reserve System or the Comptroller of the Currency, as the case may be, may waive such requirements with respect to any such report or examination of any affiliate if in the judgment of the said Board or Comptroller, respectively, such report or examination is not necessary to disclose fully the relations between such affiliate and such bank and the effect thereof upon the affairs of such bank.

SECTION 22. OFFENSES OF EXAMINERS, MEMBER BANKS, OFFICERS, AND DIRECTORS

(d) Any member bank may contract for, or purchase from, any of its directors or from any firm of which any of its directors is a member, any securities or other property, when (and not otherwise) such purchase is made in the regular course of business upon terms not less favorable to the bank than those offered to others, or when such purchase is authorized by a majority of the board of directors not interested in the sale of such securities or property, such authority to be evidenced by the affirmative vote or written assent of such directors: *Provided, however,* That when any director, or firm of which any director is a member, acting for or on behalf of others, sells securities or other property to a member bank, the Board of Governors of the Federal Reserve System by regulation may, in any or all cases, require a full disclosure to be made, on forms to be prescribed by it, of all commissions or other considerations received, and whenever such director or firm, acting in his or its own behalf, sells securities or other property to the bank the Board of Governors of the Federal Reserve System, by regulation, may require a full disclosure of all profit realized from such sale.

Any member bank may sell securities or other property to any of its directors, or to a firm of which any of its directors is a member, in the regular course of business on terms not more favorable to such director or firm than those offered to others, or when such sale is authorized by a majority of the board of directors of a member bank to be evidenced by their affirmative vote or written assent: *Provided, however,* That nothing in this subsection contained shall be construed as authorizing member banks to purchase or sell securities or other property which such banks are not otherwise authorized by law to purchase or sell.

(e) No member bank shall pay to any director, officer, attorney, or employee a greater rate of interest on the deposits of such director officer, attorney, or employee than that paid to other depositors on similar deposits with such member bank.

(f) If the directors or officers of any member bank shall knowingly violate or permit any of the agents, officers, or directors of any member bank to violate any of the provisions of this section or regulations of the board made under authority thereof, or any of the provisions of sections

217, 218, 219, 220, 655, 1005, 1014, 1906, or 1909 of Title 18, United States Code, every director and officer participating in or assenting to such violation shall be held liable in his personal and individual capacity for all damages which the member bank, its shareholders, or any other persons shall have sustained in consequence of such violation.

(g)(1) Except as authorized under this subsection, no member bank may extend credit in any manner to any of its own executive officers. No executive officer of any member bank may become indebted to that member bank except by means of an extension of credit which the bank is authorized to make under this subsection. Any extension of credit under this subsection shall be promptly reported to the board of directors of the bank, and may be made only if—

(A) the bank would be authorized to make it to borrowers other than its officers;

(B) it is on terms not more favorable than those afforded other borrowers;

(C) the officer has submitted a detailed current financial statement; and

(D) it is on condition that it shall become due and payable on demand of the bank at any time when the officer is indebted to any other bank or banks on account of extensions of credit of any one of the three categories respectively referred to in paragraphs (2), (3), and (4) in an aggregate amount greater than the amount of credit of the same category that could be extended to him by the bank of which he is an officer.

(2) With the specific prior approval of its board of directors, a member bank may make a loan not exceeding \$30,000 to any executive officer of the bank if, at the time the loan is made—

(A) it is secured by a first lien on a dwelling which is expected, after the making of the loan, to be owned by the officer and used by him as his residence, and

(B) no other loan by the bank to the officer under authority of this paragraph is outstanding.

(3) A member bank may make extensions of credit to any executive officer of the bank, not exceeding the aggregate amount of \$10,000 outstanding at any one time, to finance the education of the children of the officer.

(4) A member bank may make extensions of credit not otherwise specifically authorized under this subsection to any executive officer of the bank, not exceeding the aggregate amount of \$5,000 outstanding at any one time.

(5) Except to the extent permitted under paragraph (4), a member bank may not extend credit to a partnership in which one or more of its executive officers are partners having either individually or together a majority interest. For the purposes of paragraph (4), the full amount of any credit so extended shall be considered to have been extended to each officer of the bank who is a member of the partnership.

(6) Whenever an executive officer of a member bank becomes indebted to any bank or banks (other than the one of which he is an officer) on account of extensions of credit of any one of the three categories respectively referred to in paragraphs (2), (3), and (4) in an aggregate amount greater than the aggregate amount of credit of the same category that could lawfully be extended to him by the bank, he shall make a written report to the board of directors of the bank, stat-

ing the date and amount of each such extension of credit, the security therefor, and the purposes for which the proceeds have been or are to be used.

(7) This subsection does not prohibit any executive officer of a member bank from endorsing or guaranteeing for the protection of the bank any loan or other asset previously acquired by the bank in good faith or from incurring any indebtedness to the bank for the purpose of protecting the bank against loss or giving financial assistance to it.

(8) Each day that any extension of credit in violation of this subsection exists is a continuation of the violation for the purposes of section 8 of the Federal Deposit Insurance Act.

(9) Each member bank shall include with (but not as part of) each report of condition and copy thereof filed under section 7(a)(3) of the Federal Deposit Insurance Act a report of all loans under authority of this subsection made by the bank since its previous report of condition.

(10) The Board of Governors of the Federal Reserve System may prescribe such rules and regulations, including definitions of terms, as it deems necessary to effectuate the purposes and to prevent evasions of this subsection.

SECTION 23A. RELATIONS WITH AFFILIATES

No member bank shall (1) make any loan or any extension of credit to or purchase securities under repurchase agreement from, any of its affiliates, or (2) invest any of its funds in the capital stock, bonds, debentures, or other such obligations of any such affiliate, or (3) accept the capital stock, bonds, debentures, or other such obligations of any such affiliate as collateral security for advances made to any person, partnership, association, or corporation, if, in the case of any such affiliate, the aggregate amount of such loans, extensions of credit, repurchase agreements, investments, and advances, against such collateral security will exceed 10 per centum of the capital stock and surplus of such member bank, or if, in the case of all such affiliates, the aggregate amount of such loans, extensions of credits, repurchase agreements, investments, and advances against such collateral security will exceed 20 per centum of the capital stock and surplus of such member bank.

Within the foregoing limitations, each loan or extension of credit of any kind of character to an affiliate shall be secured by collateral in the form of stocks, bonds, debentures, or other such obligations having a market value at the time of making the loan or extension of credit of at least 20 per centum more than the amount of the loan or extension of credit, or of at least 10 per centum more than the amount of the loan or extension of credit if it is secured by obligations of any State, or of any political subdivision or agency thereof: *Provided*, That the provisions of this paragraph shall not apply to loans or extensions of credit secured by obligations of the United States Government, the Federal intermediate credit banks, the Federal land banks, or the Federal Home Loan Banks, or by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Federal reserve banks. A loan or extension of credit to a director officer, clerk, or other employee or any representative of any such affiliate shall be deemed a loan to the affiliate to the extent that the proceeds of such loan are used for the benefit of, or transferred to, the affiliate.

The provisions of this section shall not apply to any affiliate (1) engaged solely in holding the bank premises of the member bank with which it is affiliated; (2) engaged solely in conducting a safe-deposit business or the business of an agricultural credit corporation or live-stock loan company; (3) in the capital stock of which a national banking association is authorized to invest pursuant to section 25 of this **[Act]** *title*, as amended, or a subsidiary of such affiliate, all the stock of which (except qualifying shares of directors in an amount not to exceed 10 per centum) is owned by such affiliate; (4) organized under section 25 (a) of this **[Act]** *title*, as amended, or a subsidiary of such affiliate, all the stock of which (except qualifying shares of directors in an amount not to exceed 10 per centum) is owned by such affiliate; (5) engaged solely in holding obligations of the United States or obligations fully guaranteed by the United States as to principal and interest, the Federal intermediate credit banks, the Federal land banks, the Federal Home Loan Banks; (6) where the affiliated relationship has arisen out of a bona fide debt contracted prior to the date of the creation of such relationship; or (7) where the affiliate relationship exists by reason of the ownership or control of any voting shares thereof by a member bank as executor, administrator, trustee, receiver, agent, depository, or in any other fiduciary capacity, except where such shares are held for the benefit of all or a majority of the stockholders of such member bank; but as to any such affiliate, member banks shall continue to be subject to other provisions of law applicable to loans by such banks and investments by such banks in stocks, bonds, debentures, or other such obligations. The provisions of this section shall likewise not apply to indebtedness of any affiliate for unpaid balances due a bank on assets purchased from such bank or to loans secured by, or extensions of credit against, obligations of the United States or obligations fully guaranteed by the United States as to principal and interest.

For the purposes of this section, (1) the term "extension of credit" and "extensions of credit" shall be deemed to include (A) any purchase of securities, other assets or obligations under repurchase agreement, and (B) the discount of promissory notes, bills of exchange, conditional sales contracts, or similar paper, whether with or without recourse, except that the acquisition of such paper by a member bank from another bank, without recourse, shall not be deemed to be a "discount" by such member bank for such other bank; and (2) non-interest-bearing deposits to the credit of a bank shall not be deemed to be a loan or advance or extension of credit to the bank of deposit, nor shall the giving of immediate credit to a bank upon uncollected items received in the ordinary course of business be deemed to be a loan or advance or extension of credit to the depositing bank.

For the purposes of this section, the term "affiliate" shall include, with respect to any member bank, any bank holding company of which such member bank is a subsidiary within the meaning of the Bank Holding Company Act of 1956, as amended, and any other subsidiary of such company.

The provisions of this section shall not apply to (1) stock, bonds, debentures, or other obligations of any company of the kinds described in section 4(c)(1) of the Bank Holding Company Act of 1956, as amended; (2) stock, bonds, debentures, or other obligations accepted as security for debts previously contracted, provided that such collateral shall not be held for a period of over two years; (3) shares

which are of the kinds and amounts eligible for investment by national banks under the provisions of section 5136 of the Revised Statutes; (4) any extension of credit by a member bank to a bank holding company of which such bank is a subsidiary or to another subsidiary of such bank holding company, if made within one year after the effective date of this amendment to section 23A and pursuant to a contract lawfully entered into prior to January 1, 1966; or (5) any transaction by a member bank with another bank the deposits of which are insured by the Federal Deposit Insurance Corporation, if more than 50 per centum of the voting stock of such other bank is owned by the member bank or held by trustees for the benefit of the shareholders of the member bank.

SECTION 24. LOANS ON FARM LANDS

Any national banking association may make real estate loans secured by first liens upon improved real estate, including improved farm land and improved business and residential properties. A loan secured by real estate within the meaning of this section shall be in the form of an obligation or obligations secured by a mortgage, trust deed, or other instrument upon real estate, which shall constitute a first lien on real estate in fee simple or, under such rules and regulations as may be prescribed by the Comptroller of the Currency, on a leasehold under a lease which does not expire for at least 10 years beyond the maturity date of the loan, and any national banking association may purchase any obligation so secured when the entire amount of such obligation is sold to the association. The amount of any such loan hereafter made shall not exceed 50 per centum of the appraised value of the real estate offered as security and no such loan shall be made for a longer term than five years; except that (1) any such loan may be made in an amount not to exceed 66⅔ per centum of the appraised value of the real estate offered as security and for a term not longer than ten years if the loan is secured by an amortized mortgage, deed of trust, or other such instrument under the terms of which the installment payments are sufficient to amortize 40 per centum or more of the principal of the loan within a period of not more than ten years, and (2) any such loan may be made in an amount not to exceed 66⅔ per centum of the appraised value of the real estate offered as security and for a term not longer than twenty years if the loan is secured by an amortized mortgage, deed of trust, or other such instrument under the terms of which the installment payments are sufficient to amortize the entire principal of the loan within a period of not more than twenty years, and (3) any such loan may be made in an amount not to exceed 80 per centum of the appraised value of the real estate offered as security and for a term not longer than twenty-five years if the loan is secured by an amortized mortgage, deed of trust, or other such instrument under the terms of which the installment payments are sufficient to amortize the entire principal of the loan within the period ending on the date of its maturity, and (4) the foregoing limitations and restrictions shall not prevent the renewal or extension of loans heretofore made and shall not apply to real estate loans which are insured under the provisions of title II, title VI, title VIII, section 8 of title I, or title IX of the National Housing Act or which are insured by the Secretary of Agriculture pursuant to title I of the Bankhead-Jones Farm Tenant Act, or the Act entitled "An Act to promote conservation in the arid and semiarid areas of the United States by aiding

in the development of facilities for water storage and utilization, and for other purposes," approved August 28, 1937, as amended, or title V of the Housing Act of 1949, as amended, or which are insured by the Secretary of Housing and Urban Development pursuant to title XI of the National Housing Act, and shall not apply to real estate loans which are fully guaranteed or insured by a State, or by a State authority for the payment of the obligations of which the faith and credit of the State is pledged, if under the terms of the guaranty or insurance agreement the association will be assured of repayment in accordance with the terms of the loan. No such association shall make such loans in an aggregate sum in excess of the amount of the capital stock of such association paid in and unimpaired plus the amount of its unimpaired surplus fund, or in excess of 70 per centum of the amount of its time and savings deposits, whichever is the greater. Notwithstanding the foregoing limitations and restrictions in this section, any national banking association may make loans for land development which are secured by mortgages insured under title X of the National Housing Act. Any such association may continue hereafter as heretofore to receive time and savings deposits and to pay interest on the same, but the rate of interest which such association may pay upon such time deposits or upon savings or other deposits shall not exceed the maximum rate authorized by law to be paid upon such deposits by State banks or trust companies organized under the laws of the State in which such association is located.

Any national banking association may make real estate loans secured by first liens upon forest tracts which are properly managed in all respects. Such loans shall be in the form of an obligation or obligations secured by mortgage, trust deed, or other such instrument; and any national banking association may purchase any obligation so secured when the entire amount of such obligation is sold to the association. The amount of any such loan shall not exceed 60 per centum of the appraised fair market value of the growing timber, lands, and improvements thereon offered as security and the loan shall be made upon such terms and conditions as to assure that at no time shall the loan balance exceed 60 per centum of the original appraised total value of the property then remaining. No such loan shall be made for a longer term than three years; except that any such loan may be made for a term not longer than fifteen years if the loan is secured by an amortized mortgage, deed of trust, or other such instrument under the terms of which the installment payments are sufficient to amortize the principal of the loan within a period of not more than fifteen years and at a rate of at least 6% per centum per annum. All such loans secured by first liens upon forest tracts shall be included in the permissible aggregate of all real estate loans prescribed in the preceding paragraph, but no national banking association shall make forest-tract loans in an aggregate sum in excess of 50 per centum of its capital stock paid in and unimpaired plus 50 per centum of its unimpaired surplus fund.

Loans made to finance the construction of industrial or commercial buildings and having maturities of not to exceed twenty-four months where there is a valid and binding agreement entered into by a financially responsible lender to advance the full amount of the bank's loan upon the completion of the buildings and loans made to finance the construction of residential or farm buildings and having maturities of not to exceed twenty-four months, shall not be considered as loans

secured by real estate within the meaning of this section but shall be classed as ordinary commercial loans whether or not secured by a mortgage or similar lien on the real estate upon which the building or buildings are being constructed: *Provided*, That no national banking association shall invest in, or be liable on, any such loans in an aggregate amount in excess of 100 per centum of its actually paid-in and unimpaired capital plus 100 per centum of its unimpaired surplus fund. Notes representing loans made under this section to finance the construction of residential or farm buildings and having maturities of not to exceed nine months shall be eligible for discount as commercial paper within the terms of the second paragraph of section 13 of this [Act] *title* if accompanied by a valid and binding agreement to advance the full amount of the loan upon the completion of the building entered into by an individual, partnership, association, or corporation acceptable to the discounting bank.

Loans made to established industrial or commercial businesses (a) which are in whole or in part discounted or purchased or loaned against as security by a Federal Reserve bank under the provisions of section 13b of this [Act] *title*, (b) for any part of which a commitment shall have been made by a Federal Reserve bank under the provisions of said section, (c) in the making of which a Federal Reserve bank participates under the provisions of said section, or (d) in which the Reconstruction Finance Corporation or the Housing and Home Finance Administrator cooperates or purchases a participation under the provisions of the Reconstruction Finance Corporation Act, as amended, or of section 102 or 102a of the Housing Act of 1948, as amended, shall not be subject to the restrictions or limitations of this section upon loans secured by real estate. Loans in which the Small Business Administration cooperates through agreements to participate on an immediate or deferred basis under the Small Business Act shall not be subject to the restrictions or limitations of this section imposed upon loans secured by real estate. Home improvement loans which are insured under the provisions of section 203(k) or 220(h) of the National Housing Act may be made without regard to the first lien requirements of this section.

Loans made to manufacturing and industrial businesses where the association looks for repayment out of the operations of the borrower's business, relying primarily on the borrower's general credit standing and forecast of operations, with or without other security, but wishes to take a mortgage on the borrower's real estate as a precaution against contingencies, shall not be considered as real estate loans within the meaning of this section but shall be classed as ordinary commercial loans.

SECTION 24A. INVESTMENTS IN BANK PREMISES

Hereafter no national bank, without the approval of the Comptroller of the Currency, and no State member bank, without the approval of the Board of Governors of the Federal Reserve System, shall (1) invest in bank premises, or in the stock, bonds, debentures, or other such obligations of any corporation holding the premises of such bank or (2) make loans to or upon the security of the stock of any such corporation, if the aggregate of all such investments and loans, together with the amount of any indebtedness incurred by any such corporation which is an affiliate of the bank, as defined in section 2 of the Banking

Act of 1933, as amended, will exceed the amount of the capital stock of such bank.

SECTION 25. FOREIGN BRANCHES

Any national banking association possessing a capital and surplus of \$1,000,000 or more may file application with the Board of Governors of the Federal Reserve System for permission to exercise, upon such conditions and under such regulations as may be prescribed by the said board, the following powers:

First. To establish branches in foreign countries or dependencies or insular possessions of the United States for the furtherance of the foreign commerce of the United States, and to act if required to do so as fiscal agents of the United States.

Second. To invest an amount not exceeding in the aggregate ten per centum of its paid-in capital stock and surplus in the stock of one or more banks or corporations chartered or incorporated under the laws of the United States or of any State thereof, and principally engaged in international or foreign banking, or banking in a dependency or insular possession of the United States either directly or through the agency, ownership, or control of local institutions in foreign countries, or in such dependencies or insular possessions.

Third. To acquire and hold, directly or indirectly, stock or other evidences of ownership in one or more banks organized under the law of a foreign country or a dependency or insular possession of the United States and not engaged, directly or indirectly, in any activity in the United States except as, in the judgment of the Board of Governors of the Federal Reserve System, shall be incidental to the international or foreign business of such foreign bank; and, notwithstanding the provisions of section 23A of this [Act] *title*, to make loans or extensions of credit to or for the account of such bank in the manner and within the limits prescribed by the Board by general or specific regulation or ruling.

Until January 1, 1921, any national banking association, without regard to the amount of its capital and surplus, may file application with the Board of Governors of the Federal Reserve System for permission, upon such conditions and under such regulations as may be prescribed by said board, to invest an amount not exceeding in the aggregate 5 per centum of its paid-in capital and surplus in the stock of one or more corporations chartered or incorporated under the laws of the United States or of any State thereof and, regardless of its location, principally engaged in such phases of international or foreign financial operations as may be necessary to facilitate the export of goods, wares, or merchandise from the United States or any of its dependencies or insular possessions to any foreign country: *Provided, however,* That in no event shall the total investments authorized by this section by any one national bank exceed 10 per centum of its capital and surplus.

Such application shall specify the name and capital of the banking association filing it, the powers applied for, and the place or places where the banking or financial operations proposed are to be carried on. The Board of Governors of the Federal Reserve System shall have power to approve or to reject such application in whole or in part if for any reason the granting of such application is deemed inexpedient, and shall also have power from time to time to increase or decrease the number of places where such banking operations may be carried on.

Every national banking association operating foreign branches shall be required to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand, and every member bank investing in the capital stock of banks or corporations described above shall be required to furnish information concerning the condition of such banks or corporations to the Board of Governors of the Federal Reserve System upon demand, and the Board of Governors of the Federal Reserve System may order special examinations of the said branches, banks, or corporations at such time or times as it may deem best.

Before any national bank shall be permitted to purchase stock in any such corporation the said corporation shall enter into an agreement or undertaking with the Board of Governors of the Federal Reserve System to restrict its operations or conduct its business in such manner or under such limitations and restrictions as the said board may prescribe for the place or places wherein such business is to be conducted. If at any time the Board of Governors of the Federal Reserve System shall ascertain that the regulations prescribed by it are not being complied with, said board is hereby authorized and empowered to institute an investigation of the matter and to send for persons and papers, subpoena witnesses, and administer oaths in order to satisfy itself as to the actual nature of the transactions referred to. Should such investigation result in establishing the failure of the corporation in question, or of the national bank or banks which may be stockholders therein, to comply with the regulations laid down by the said Board of Governors of the Federal Reserve System, such national banks may be required to dispose of stock holdings in the said corporation upon reasonable notice.

Every such national banking association shall conduct the accounts of each foreign branch independently of the accounts of other foreign branches established by it and of its home office, and shall at the end of each fiscal period transfer to its general ledger the profit or loss accrued at each branch as a separate item.

Regulations issued by the Board of Governors of the Federal Reserve System under this section, in addition to regulating powers which a foreign branch may exercise under other provisions of law, may authorize such a foreign branch, subject to such conditions and requirements as such regulations may prescribe, to exercise such further powers as may be usual in connection with the transaction of the business of banking in the places where such foreign branch shall transact business. Such regulations shall not authorize a foreign branch to engage in the general business of producing, distributing, buying or selling goods, wares, or merchandise; nor, except to such limited extent as the Board may deem to be necessary with respect to securities issued by any "foreign state" as defined in section 25(b) of this [Act] title, shall such regulations authorize a foreign branch to engage or participate, directly or indirectly, in the business of underwriting, selling, or distributing securities.

SECTION 25(a). BANKING CORPORATIONS AUTHORIZED TO DO FOREIGN BANKING BUSINESS

Corporations to be organized for the purpose of engaging in international or foreign banking or other international or foreign financial operations, or in banking or other financial operations in a dependency

or insular possession of the United States, either directly or through the agency, ownership, or control of local institutions in foreign countries, or in such dependencies or insular possessions as provided by this section, and to act when required by the Secretary of the Treasury as fiscal agents of the United States, may be formed by any number of natural persons, not less in any case than five: *Provided*, That nothing in this section shall be construed to deny the right of the Secretary of the Treasury to use any corporation organized under this section as depositaries in Panama and the Panama Canal Zone, or in the Philippine Islands and other insular possessions and dependencies of the United States.

Such persons shall enter into articles of association which shall specify in general terms the objects for which the association is formed and may contain any other provisions not inconsistent with law which the association may see fit to adopt for the regulation of its business and the conduct of its affairs.

Such articles of association shall be signed by all of the persons intending to participate in the organization of the corporation and, thereafter, shall be forwarded to the Board of Governors of the Federal Reserve System and shall be filed and preserved in its office. The persons signing the said articles of association shall, under their hands, make an organization certificate which shall specifically state:

First, The name assumed by such corporation, which shall be subject to the approval of the Board of Governors of the Federal Reserve System.

Second. The place or places where its operations are to be carried on.

Third. The place in the United States where its home office is to be located.

Fourth. The amount of its capital stock and the number of shares into which the same shall be divided.

Fifth. The names and places of business or residence of the persons executing the certificate and the number of shares to which each has subscribed.

Sixth. The fact that the certificate is made to enable the persons subscribing the same, and all other persons, firms, companies, and corporations, who or which may thereafter subscribe to or purchase shares of the capital stock of such corporation, to avail themselves of the advantages of this section.

The persons signing the organization certificate shall duly acknowledge the execution thereof before a judge of some court of record or notary public, who shall certify thereto under the seal of such court or notary, and thereafter the certificate shall be forwarded to the Board of Governors of the Federal Reserve System to be filed and preserved in its office. Upon duly making and filing articles of association and an organization certificate, and after the Board of Governors of the Federal Reserve System has approved the same and issued a permit to begin business, the association shall become and be a body corporate, and as such and in the name designated therein shall have power to adopt and use a corporate seal, which may be changed at the pleasure of its board of directors; to have succession for a period of twenty years unless sooner dissolved by the act of the shareholders owning two-thirds of the stock or by an Act of Congress or unless its franchises become forfeited by some violation of law; to make contracts; to sue and be sued, complain, and defend in any court of law or equity; to

elect or appoint directors, all of whom shall be citizens of the United States; and, by its board of directors, to appoint such officers and employees as may be deemed proper, define their authority and duties, require bonds of them, and fix the penalty thereof, dismiss such officers or employees, or any thereof, at pleasure and appoint others to fill their places; to prescribe, by its board of directors, by-laws not inconsistent with law or with the regulations of the Board of Governors of the Federal Reserve System regulating the manner in which its stock shall be transferred, its directors elected or appointed, its officers and employees appointed, its property transferred, and the privileges granted to it by law exercised and enjoyed.

Each corporation so organized shall have power, under such rules and regulations as the Board of Governors of the Federal Reserve System may prescribe:

(a) To purchase, sell, discount, and negotiate, with or without its indorsement or guaranty, notes, drafts, checks, bills of exchange, acceptances, including bankers' acceptances, cable transfers, and other evidences of indebtedness; to purchase and sell, with or without its indorsement of guaranty, securities, including the obligations of the United States or of any State thereof but not including shares of stock in any corporation except as herein provided; to accept bills or drafts drawn upon it subject to such limitations and restrictions as the Board of Governors of the Federal Reserve System may impose; to issue letters of credit; to purchase and sell coin, bullion, and exchange; to borrow and to lend money; to issue debentures, bonds, and promissory notes under such general conditions as to security and such limitations as the Board of Governors of the Federal Reserve System may prescribe, but in no event having liabilities outstanding thereon at any one time exceeding ten times its capital stock and surplus; to receive deposits outside of the United States and to receive only such deposits within the United States as may be incidental to or for the purpose of carrying out transactions in foreign countries or dependencies or insular possessions of the United States; and generally to exercise such powers as are incidental to the powers conferred by this [Act] *title* or as may be usual, in the determination of the Board of Governors of the Federal Reserve System, in connection with the transaction of the business of banking or other financial operations in the countries, colonies, dependencies, or possessions in which it shall transact business and not inconsistent with the powers specifically granted herein. Nothing contained in this section shall be construed to prohibit the Board of Governors of the Federal Reserve System, under its power to prescribe rules and regulations, from limiting the aggregate amount of liabilities of any or all classes incurred by the corporation and outstanding at any one time. Whenever a corporation organized under this section receives deposits in the United States authorized by this section it shall carry reserves in such amounts as the Board of Governors of the Federal Reserve System may prescribe, but in no event less than 10 per centum of its deposits.

(b) To establish and maintain for the transaction of its business branches or agencies in foreign countries, their dependencies or colonies, and in the dependencies or insular possessions of the United States, at such places as may be approved by the Board of Governors of the Federal Reserve System and under such rules and regulations as it may prescribe, including countries or dependencies not specified in the original organization certificate.

(c) With the consent of the Board of Governors of the Federal Reserve System to purchase and hold stock or other certificates of ownership in any other corporation organized under the provisions of this section, or under the laws of any foreign country or a colony or dependency thereof, or under the laws of any State, dependency, or insular possession of the United States but not engaged in the general business of buying or selling goods, wares, merchandise, or commodities in the United States, and not transacting any business in the United States except such as in the judgment of the Board of Governors of the Federal Reserve System may be incidental to its international or foreign business: *Provided, however,* That, except with the approval of the Board of Governors of the Federal Reserve System, no corporation organized hereunder shall invest in any one corporation an amount in excess of 10 per centum of its own capital and surplus, except in a corporation engaged in the business of banking, when 15 per centum of its capital and surplus may be so invested: *Provided further,* That no corporation organized hereunder shall purchase, own, or hold stock or certificates of ownership in any other corporation organized hereunder or under the laws of any State which is in substantial competition therewith, or which holds stock or certificates of ownership in corporations which are in substantial competition with the purchasing corporation.

Nothing contained herein shall prevent corporations organized hereunder from purchasing and holding stock in any corporation where such purchase shall be necessary to prevent a loss upon a debt previously contracted in good faith; and stock so purchased or acquired in corporations organized under this section shall within six months from such purchase be sold or disposed of at public or private sale unless the time to so dispose of same is extended by the Board of Governors of the Federal Reserve System.

No corporation organized under this section shall carry on any part of its business in the United States except such as, in the judgment of the Board of Governors of the Federal Reserve System, shall be incidental to its international or foreign business: *And provided further,* That except such as is incidental and preliminary to its organization no such corporation shall exercise any of the powers conferred by this section until it has been duly authorized by the Board of Governors of the Federal Reserve System to commence business as a corporation organized under the provisions of this section.

No corporation organized under this section shall engage in commerce or trade in commodities except as specifically provided in this section, nor shall it either directly or indirectly control or fix or attempt to control or fix the price of any such commodities. The charter of any corporation violating this provision shall be subject to forfeiture in the manner hereinafter provided in this section. It shall be unlawful for any director, officer, agent, or employee of any such corporation to use or to conspire to use the credit, the funds, or the power of the corporation to fix or control the price of any such commodities, and any such person violating this provision shall be liable to a fine of not less than \$1,000 and not exceeding \$5,000 or imprisonment not less than one year and not exceeding five years, or both, in the discretion of the court.

No corporation shall be organized under the provisions of this section with a capital stock of less than \$2,000,000, one-quarter of which must be paid in before the corporation may be authorized to begin business,

and the remainder of the capital stock of such corporation shall be paid in installments of at least 10 per centum on the whole amount to which the corporation shall be limited as frequently as one installment at the end of each succeeding two months from the time of the commencement of its business operations until the whole of the capital stock shall be paid in: *Provided, however,* That whenever \$2,000,000 of the capital stock of any corporation is paid in the remainder of the corporation's capital stock or any unpaid part of such remainder may, with the consent of the Board of Governors of the Federal Reserve System and subject to such regulations and conditions as it may prescribe, be paid in upon call from the board of directors; such unpaid subscriptions, however, to be included in the maximum of 10 per centum of the national bank's capital and surplus which a national bank is permitted under the provisions of this [Act] title to hold in stock of corporations engaged in business of the kind described in this section and in section 25 of the Federal Reserve Act as amended: *Provided further,* That no such corporation shall have liabilities outstanding at any one time upon its debentures, bonds, and promissory notes in excess of ten times its paid-in capital and surplus. The capital stock of any such corporation may be increased at any time, with the approval of the Board of Governors of the Federal Reserve System, by a vote of two-thirds of its shareholders or by unanimous consent in writing of the shareholders without a meeting and without a formal vote, but any such increase of capital shall be fully paid in within ninety days after such approval; and may be reduced in like manner, provided that in no event shall it be less than \$2,000,000. No corporation, except as herein provided, shall during the time it shall continue its operations, withdraw or permit to be withdrawn, either in the form of dividends or otherwise, any portion of its capital. Any national banking association may invest in the stock of any corporation organized under the provisions of this section, but the aggregate amount of stock held in all corporations engaged in business of the kind described in this section and in section 25 of the Federal Reserve Act as amended shall not exceed 10 per centum of the subscribing bank's capital and surplus.

A majority of the shares of the capital stock of any such corporation shall at all times be held and owned by citizens of the United States, by corporations the controlling interest in which is owned by citizens of the United States, chartered under the laws of the United States or of a State of the United States, or by firms or companies, the controlling interest in which is owned by citizens of the United States.

No member of the Board of Governors of the Federal Reserve System shall be an officer or director of any corporation organized under the provisions of this section, or of any corporation engaged in similar business organized under the laws of any State, nor hold stock in any such corporation, and before entering upon his duties as a member of the Board of Governors of the Federal Reserve System he shall certify under oath to the Secretary of the Treasury that he has complied with this requirement.

Shareholders in any corporation organized under the provision of this section shall be liable for the amount of their unpaid stock subscriptions. No such corporation shall become a member of any Federal reserve bank.

Should any corporation organized hereunder violate or fail to comply with any of the provisions of this section, all of its rights, privileges,

and franchises derived herefrom may thereby be forfeited. Before any such corporation shall be declared dissolved, or its rights, privileges, and franchises forfeited, any noncompliance with, or violation of such laws shall, however, be determined and adjudged by a court of the United States of competent jurisdiction, in a suit brought for that purpose in the district or territory in which the home office of such corporation is located, which suit shall be brought by the United States at the instance of the Board of Governors of the Federal Reserve System or the Attorney General. Upon adjudication of such noncompliance or violation, each director and officer who participated in, or assented to, the illegal act or acts, shall be liable in his personal or individual capacity for all damages which the said corporation shall have sustained in consequence thereof. No dissolution shall take away or impair any remedy against the corporation, its stockholders, or officers for any liability or penalty previously incurred.

Any such corporation may go into voluntary liquidation and be closed by a vote of its shareholders owning two-thirds of its stock.

Whenever the Board of Governors of the Federal Reserve System shall become satisfied of the insolvency of any such corporation, it may appoint a receiver who shall take possession of all of the property and assets of the corporation and exercise the same rights, privileges, powers, and authority with respect thereto as are now exercised by receivers of national banks appointed by the Comptroller of the Currency of the United States: *Provided, however,* That the assets of the corporation subject to the laws of other countries or jurisdictions shall be dealt with in accordance with the terms of such laws.

Every corporation organized under the provisions of this section shall hold a meeting of its stockholders annually upon a date fixed in its bylaws, such meeting to be held at its home office in the United States. Every such corporation shall keep at its home office books containing the names of all stockholders thereof, and the names and addresses of the members of its board of directors, together with copies of all reports made by it to the Board of Governors of the Federal Reserve System. Every such corporation shall make reports to the Board of Governors of the Federal Reserve System at such times and in such form as it may require; and shall be subject to examination once a year and at such other times as may be deemed necessary by the Board of Governors of the Federal Reserve System by examiners appointed by the Board of Governors of the Federal Reserve System, the cost of such examinations, including the compensation of the examiners, to be fixed by the Board of Governors of the Federal Reserve System and to be paid by the corporation examined.

The directors of any corporation organized under the provisions of this section may, semiannually, declare a dividend of so much of the net profits of the corporation as they shall judge expedient; but each corporation shall, before the declaration of a dividend, carry one-tenth of its net profits of the preceding half year to its surplus fund until the same shall amount to 20 per centum of its capital stock.

Any corporation organized under the provisions of this section shall be subject to tax by the State within which its home office is located in the same manner and to the same extent as other corporations organized under the laws of that State which are transacting a similar character of business. The shares of stock in such corporation shall also be subject to tax as the personal property of the owners or holders

thereof in the same manner and to the same extent as the shares of stock in similar State corporations.

Any corporation organized under the provisions of this section may at any time within the two years next previous to the date of the expiration of its corporate existence, by a vote of the shareholders owning two-thirds of its stock, apply to the Board of Governors of the Federal Reserve System for its approval to extend the period of its corporate existence for a term of not more than twenty years, and upon certified approval of the Board of Governors of the Federal Reserve System such corporation shall have its corporate existence for such extended period unless sooner dissolved by the act of the shareholders owning two-thirds of its stock, or by an Act of Congress or unless its franchise becomes forfeited by some violation of law.

Any bank or banking institution, principally engaged in foreign business, incorporated by special law of any State or of the United States or organized under the general laws of any State or of the United States and having an unimpaired capital sufficient to entitle it to become a corporation under the provisions of this section may, by the vote of the shareholders owning not less than two-thirds of the capital stock of such bank or banking association, with the approval of the Board of Governors of the Federal Reserve System, be converted into a Federal corporation of the kind authorized by this section with any name approved by the Board of Governors of the Federal Reserve System: *Provided, however,* That said conversion shall not be in contravention of the State law. In such case the articles of association and organization certificate may be executed by a majority of the directors of the bank or banking institution, and the certificate shall declare that the owners of at least two-thirds of the capital stock have authorized the directors to make such certificate and to change or convert the bank or banking institution into a Federal corporation. A majority of the directors, after executing the articles of association and the organization certificate, shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a Federal corporation. The shares of any such corporation may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the corporation until others are elected or appointed in accordance with the provisions of this section. When the Board of Governors of the Federal Reserve System has given to such corporation a certificate that the provisions of this section have been complied with, such corporation and all its stockholders, officers, and employees, shall have the same powers and privileges, and shall be subject to the same duties, liabilities, and regulations, in all respects, as shall have been prescribed by this section for corporations originally organized hereunder.

Every officer, director, clerk, employee, or agent of any corporation organized under this section who embezzles, abstracts, or willfully misapplies any of the moneys, funds, credits, securities, evidences of indebtedness or assets of any character of such corporation; or who, without authority from the directors, issues or puts forth any certificate of deposit, draws any order or bill of exchange, makes any acceptance, assigns any note, bond, debenture, draft, bill of exchange, mortgage, judgment, or decree; or who makes any false entry in any book, report, or statement of such corporation with intent, in either case, to injure or defraud such corporation or any other company, body politic or

corporate, or any individual person, or to deceive any officer of such corporation, the Board of Governors of the Federal Reserve System, or any agent or examiner appointed to examine the affairs of any such corporation; and every receiver of any such corporation and every clerk or employee of such receiver who shall embezzle, abstract, or willfully misapply or wrongfully convert to his own use any moneys, funds, credits, or assets of any character which may come into his possession or under his control in the execution of his trust or the performance of the duties of his employment; and every such receiver or clerk or employee of such receiver who shall, with intent to injure or defraud any person, body politic or corporate, or to deceive or mislead the Board of Governors of the Federal Reserve System, or any agent or examiner appointed to examine the affairs of such receiver, shall make any false entry in any book, report, or record of any matter connected with the duties of such receiver; and every person who with like intent aids or abets any officer, director, clerk, employee, or agent of any corporation organized under this section, or receiver or clerk or employee of such receiver as aforesaid in any violation of this section, shall upon conviction thereof be imprisoned for not less than two years nor more than ten years, and may also be fined not more than \$5,000, in the discretion of the court.

Whoever being connected in any capacity with any corporation organized under this section represents in any way that the United States is liable for the payment of any bond or other obligation, or the interest thereon, issued or incurred by any corporation organized hereunder, or that the United States incurs any liability in respect of any act or omission of the corporation, shall be punished by a fine of not more than \$10,000 and by imprisonment for not more than five years.

SECTION 25(b). JURISDICTION OF SUITS

Notwithstanding any other provision of law all suits of a civil nature at common law or in equity to which any corporation organized under the laws of the United States shall be a party, arising out of transactions involving international or foreign banking, or banking in a dependency or insular possession of the United States, or out of other international or foreign financial operations, either directly or through the agency, ownership, or control of branches or local institutions in dependencies or insular possessions of the United States or in foreign countries, shall be deemed to arise under the laws of the United States, and the district courts of the United States shall have original jurisdiction of all such suits; and any defendant in any such suit may, at any time before the trial thereof, remove such suits from a State court into the district court of the United States for the proper district by following the procedure for the removal of causes otherwise provided by law. Such removal shall not cause undue delay in the trial of such case and a case so removed shall have a place on the calendar of the United States court to which it is removed relative to that which it held on the State court from which it was removed.

Notwithstanding any other provision of law, all suits of a civil nature at common law or in equity to which any Federal Reserve bank shall be a party shall be deemed to arise under the laws of the United States, and the district courts of the United States shall have original jurisdiction of all such suits; and any Federal Reserve bank which is a defendant in any such suit may, at any time before the trial thereof,

remove such suit from a State court into the district court of the United States for the proper district by following the procedure for the removal of causes otherwise provided by law. No attachment or execution shall be issued against any Federal Reserve bank or its property before final judgment in any suit, action, or proceeding in any State, county, municipal, or United States court.

Whenever (1) any Federal Reserve bank has received any property from or for the account of a foreign state which is recognized by the Government of the United States, or from or for the account of a central bank of any such foreign state, and holds such property in the name of such foreign state or such central bank; (2) a representative of such foreign state who is recognized by the Secretary of State as being the accredited representative of such foreign state to the Government of the United States has certified to the Secretary of State the name of a person as having authority to receive, control, or dispose of such property; and (3) the authority of such person to act with respect to such property is accepted and recognized by the Secretary of State, and so certified by the Secretary of State to the Federal Reserve bank, the payment, transfer, delivery, or other disposal of such property by such Federal Reserve bank to or upon the order of such person shall be conclusively presumed to be lawful and shall constitute a complete discharge and release of any liability of the Federal Reserve bank for or with respect to such property.

Whenever (1) any insured bank has received any property from or for the account of a foreign state which is recognized by the Government of the United States, or from or for the account of a central bank of any such foreign state, and holds such property in the name of such foreign state or such central bank; (2) a representative of such foreign state who is recognized by the Secretary of State as being the accredited representative of such foreign state to the Government of the United States has certified to the Secretary of State the name of a person as having authority to receive, control, or dispose of such property; and (3) the authority of such person to act with respect to such property is accepted and recognized by the Secretary of State, and so certified by the Secretary of State to such insured bank, the payment, transfer, delivery, or other disposal of such property by such bank to or upon the order of such person shall be conclusively presumed to be lawful and shall constitute a complete discharge and release of any liability of such bank for or with respect to such property. Any suit or other legal proceeding against any insured bank or any officer, director, or employee thereof, arising out of the receipt, possession, or disposition of any such property shall be deemed to arise under the laws of the United States and the district courts of the United States shall have exclusive jurisdiction thereof, regardless of the amount involved; and any such bank or any officer, director, or employee thereof which is a defendant in any such suit may, at any time before trial thereof, remove such suit from a State court into the district court of the United States for the proper district by following the procedure for the removal of causes otherwise provided by law.

Nothing in this section shall be deemed to repeal or to modify in any manner any of the provisions of the Gold Reserve Act of 1934 (ch. 6, 48 Stat. 337), as amended, the Silver Purchase Act of 1934 (ch. 674, 48 Stat. 1178), as amended, or subdivision (b) of section 5 of the Act of October 6, 1917 (40 Stat. 411), as amended, or any actions, regulations, rules, orders, or proclamations taken, promulgated, made, or

issued pursuant to any of such statutes. In any case in which a license to act with respect to any property referred to in this section is required under any of said statutes, regulations, rules, orders, or proclamations, notification to the Secretary of State by the proper Government officer or agency of the issuance of an appropriate license or that appropriate licenses will be issued on application shall be a prerequisite to any action by the Secretary of State pursuant to this section, and the action of the Secretary of State shall relate only to such property as is included in such notification. Each such notification shall include the terms and conditions of such license or licenses and a description of the property to which they relate.

For the purposes of this section, (1) the term "property" includes gold, silver, currency, credits, deposits, securities, choses in action, and any other form of property, the proceeds thereof, and any right, title, or interest therein; (2) the term "foreign state" includes any foreign government or any department, district, province, county, possession, or other similar governmental organization or subdivision of a foreign government, and any agency or instrumentality of any such foreign government or of any such organization or subdivision; (3) the term "central bank" includes any foreign bank or banker authorized to perform any one or more of the functions of a central bank; (4) the term "person" includes any individual, or any corporation, partnership, association, or other similar organization; and (5) the term "insured bank" shall have the meaning given to it in section 12B of this [Act] *title*.

SECTION 26. REPEAL OF CONFLICTING LAWS

All provisions of law inconsistent with or superseded by any of the provisions of this [Act] *title* are to that extent and to that extent only hereby repealed: *Provided*, Nothing in this [Act] *title* contained shall be construed to repeal the parity provision or provisions contained in an Act approved March fourteenth, nineteen hundred, entitled "An Act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes," and the Secretary of the Treasury may for the purpose of maintaining such parity and to strengthen the gold reserve, borrow gold on the security of United States bonds authorized by section two of the Act last referred to or for one-year gold notes bearing interest at a rate of not to exceed three per centum per annum, or sell the same if necessary to obtain gold. When the funds of the Treasury on hand justify, he may purchase and retire such outstanding bonds and notes.

SECTION 27. TAX ON NATIONAL BANK NOTES

The provisions of the Act of May thirtieth, nineteen hundred and eight, authorizing national currency associations, the issue of additional national-bank circulation, and creating a National Monetary Commission, which expires by limitation under the terms of such Act on the thirtieth day of June, nineteen hundred and fourteen, are hereby extended to June thirtieth, nineteen hundred and fifteen, and sections fifty-one hundred and fifty-three, fifty-one hundred and seventy-two, fifty-one hundred and ninety-one, and fifty-two hundred and fourteen of the Revised Statutes of the United States, which were amended by the Act of May thirtieth, nineteen hundred and

eight, are hereby reenacted to read as such sections read prior to May thirtieth, nineteen hundred and eight, subject to such amendments or modifications as are prescribed in this [Act] *title: Provided, however,* That section nine of the Act first referred to in this section is hereby amended so as to change the tax rates fixed in said Act by making the portion applicable thereto read as follows:

National banking associations having circulating notes secured otherwise than by bonds of the United States, shall pay for the first three months a tax at the rate of three per centum per annum upon the average amount of such of their notes in circulation as are based upon the deposit of such securities, and afterwards an additional tax rate of one-half of one per centum per annum for each month until a tax of six per centum per annum is reached, and thereafter such tax of six per centum per annum upon the average amount of such notes: *Provided further,* That whenever in his judgment he may deem it desirable, the Secretary of the Treasury shall have power to suspend the limitations imposed by section one and section three of the Act referred to in this section, which prescribe that such additional circulation secured otherwise than by bonds of the United States shall be issued only to National banks having circulating notes outstanding secured by the deposit of bonds of the United States to an amount not less than forty per centum of the capital stock of such banks, and to suspend also the conditions and limitations of section five of said Act except that no bank shall be permitted to issue circulating notes in excess of one hundred and twenty-five per centum of its unimpaired capital and surplus. He shall require each bank and currency association to maintain on deposit in the Treasury of the United States a sum in gold sufficient in his judgment for the redemption of such notes, but in no event less than five per centum. He may permit National banks, during the period for which such provisions are suspended, to issue additional circulation under the terms and conditions of the Act referred to as herein amended: *Provided further,* That the Secretary of the Treasury, in his discretion, is further authorized to extend the benefits of this [Act] *title* to all qualified State banks and trust companies, which have joined the Federal reserve system, or which may contract to join within fifteen days after the passage of this [Act] *title*.

SECTION 28. REDUCTION OF CAPITAL OF NATIONAL BANKS

Section fifty-one hundred and forty-three of the Revised Statutes is hereby amended and reenacted to read as follows: Any association formed under this title may, by the vote of shareholders owning two-thirds of its capital stock, reduce its capital to any sum not below the amount required by this title to authorize the formation of associations; but no such reduction shall be allowable which will reduce the capital of the association below the amount required for its outstanding circulation, nor shall any reduction be made until the amount of the proposed reduction has been reported to the Comptroller of the Currency and such reduction has been approved by the said Comptroller of the Currency and no shareholder shall be entitled to any distribution of cash or other assets by reason of any reduction of the common capital of any association unless such distribution shall have been approved by the Comptroller of the Currency and by the affirmative vote of at least two-thirds of the shares of each class of stock outstanding, voting as classes.

SECTION 29. SAVING CLAUSE

If any clause, sentence, paragraph, or part of this [Act] *title* shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this [Act] *title*, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

SECTION 30. RESERVATION OF RIGHT TO AMEND

The right to amend, alter, or repeal this [Act] *title* is hereby expressly reserved.

TITLE II—CREDIT TRANSACTIONS

DECLARATION OF PURPOSE

SEC. 201. The Congress finds that economic stabilization would be enhanced and that competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. The informed use of credit results from an awareness of the cost thereof by consumers. It is the purpose of this title to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit.

DEFINITIONS

SEC. 202. For the purposes of this title

(a) "Board" means the Board of Governors of the Federal Reserve System.

(b) "credit" means the right granted by a creditor to a person other than an organization to defer payment of debt or to incur debt and defer its payment, where the debt is contracted by the obligor primarily for personal, family, household, or agricultural purposes. The term does not include any contract in the form of a bailment or lease except to the extent specifically included within the term "consumer credit sale".

(c) "consumer credit sale" means a transaction in which credit is granted by a seller in connection with the sale of goods or services, if such seller regularly engages in credit transactions as a seller, and such goods or services are purchased primarily for a personal, family, household, or agricultural purpose. The term does not include any contract in the form of a bailment or lease unless the obligor contracts to pay as compensation for use a sum substantially equivalent to or in excess of the value of the goods or services involved, and unless it is agreed that the obligor is bound to become, or for no other or a merely nominal consideration has the option of becoming, the owner of the goods upon full compliance with the provisions of the contract.

(d) "finance charge" means the sum of all the mandatory charges imposed directly or indirectly by a creditor, and payable directly or indirectly by an obligor, as an incident to the extension of credit, including loan fees, service and carrying charges, discounts, interest, time price differentials, investigators' fees, costs of any guarantee or insurance protecting the creditor against the obligor's default or other credit loss,

and any amount payable under a point, discount, or other system of additional charges, except that

(1) if itemized and disclosed under section 203, the term "finance charge" does not include amounts collected by a creditor, or included in the credit, for

(A) fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to a credit transaction, or the premium, not in excess of those fees and charges, payable for any insurance in lieu of perfecting the security; or

(B) taxes; and

(2) where credit is secured in whole or in part by an interest in real property, the term does not include, in addition to the duly itemized and disclosed costs referred to in clauses (A) and (B) of paragraph (1), the costs of

(A) title examination, title insurance, or corresponding procedures;

(B) preparation of the deed, settlement statement, or other documents;

(C) escrows for future payments of taxes and insurance;

(D) notarizing the deed and other documents;

(E) appraisal fees; or

(F) credit reports.

(e) "creditor" means any individual, or any partnership, corporation, association, cooperative, or other entity, including the United States or any agency or instrumentality thereof, or any other government or political subdivision or agency or instrumentality thereof, if such individual or entity regularly engages in credit transactions, whether in connection with the sale of goods and services or otherwise, and extends credit for which the payment of a finance charge is required.

(f)(1) "annual percentage rate" means, for the purposes of sections 203(b), 203(c), and 203(d), the nominal annual rate determined by the actuarial method (United States rule).

(2) The Board may prescribe methods other than the actuarial method, if the Board determines that the use of such other methods will materially simplify computation while retaining reasonable accuracy as compared with the rate determined under the actuarial method.

(3) For the purposes of section 203(d), the term "equivalent annual percentage rate" means the rate or rates computed by multiplying the rate or rates used to compute the finance charge for any period by the number of periods in a year.

(4) Where a creditor imposes the same finance charge for all balances within a specified range, the annual percentage rate or equivalent annual percentage rate shall be computed on the median balance within the range for the purposes of sections 203(b), 203(c), 203(d).

(g) "open end credit plan" means a plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

(h) "installment open end credit plan" means an open end credit plan which has one or more of the following characteristics: (1) creates a security interest in, or provides for a lien on, or retention of title to, any property (whether real or personal, tangible or intangible), (2) provides for a repayment schedule pursuant to which less than 60 per centum of

the unpaid balance at any time outstanding under the plan is required to be paid within twelve months, or (3) provides that amounts in excess of required payments under the repayment schedule are applied to future payments in the order of their respective due dates.

(i) "organization" means a corporation, government or governmental subdivision or agency, business or other trust, estate, partnership, or association.

(j) "State" means any State, the Commonwealth of Puerto Rico, or the District of Columbia.

DISCLOSURE OF FINANCE CHARGES; ADVERTISING

SEC. 203. (a) Each creditor shall furnish to each person to whom credit is extended and upon whom a finance charge is or may be imposed the information required by this section, in accordance with regulations prescribed by the Board.

(b) This subsection applies to consumer credit sales other than sales under an open end credit plan. For each such sale the creditor shall disclose, to the extent applicable,

- (1) the cash price of the property or service purchased;
- (2) the sum of any amounts credited as downpayment (including any trade-in);
- (3) the difference between the amounts set forth in paragraphs (1) and (2);
- (4) all other charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge;
- (5) the total amount to be financed (the sum of the amounts disclosed under (3) and (4) above);
- (6) the amount of the finance charge (such charge, or a portion of such charge, may be designated as a time-price differential or as a similar term to the extent applicable);
- (7) the finance charge expressed as an annual percentage rate, unless the finance charge does not exceed \$10, and in ascertaining the applicability of this paragraph, a creditor may not divide a consumer credit sale into two or more sales to avoid the disclosure of an annual percentage rate pursuant to this paragraph;
- (8) the number, amount, and due dates or periods of payments scheduled to repay the indebtedness; and
- (9) the default, delinquency, or similar charges payable in the event of late payments.

Except as otherwise hereinafter provided, the disclosure required by this subsection shall be made before the credit is extended. Compliance may be attained by disclosing such information in the contract or other evidence of indebtedness to be signed by the obligor. Where a seller receives a purchase order by mail or telephone without personal solicitation by a representative of the seller and the cash price and deferred payment price and the terms of financing, including the annual percentage rate, are set forth in the seller's catalog or other printed material distributed to the public, the disclosure shall be made on or before the date the first payment is due.

(c) This subsection applies to extensions of credit other than consumer credit sales or transactions under an open end credit plan. Any creditor

making a loan or otherwise extending credit under this subsection shall disclose, to the extent applicable,

(1) the amount of credit of which the obligor will have the actual use, or which is or will be paid to him or for his account or to another person on his behalf;

(2) all charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge;

(3) the total amount to be financed (the sum of items (1) and (2) above);

(4) the amount of the finance charge;

(5) the finance charge expressed as an annual percentage rate, unless the finance charge does not exceed \$10, and in ascertaining the applicability of this paragraph, a creditor may not divide an extension of credit into two or more transactions to avoid the disclosure if an annual percentage rate pursuant to this paragraph;

(6) the number, amount, and due dates or periods of payments scheduled to repay the indebtedness; and

(7) the default, delinquency, or similar charges payable in the event of late payments.

Except as otherwise hereinafter provided, the disclosure required by this subsection shall be made before the credit is extended. Compliance may be attained by disclosing such information in the note or other evidence of indebtedness to be signed by the obligor. Where a creditor receives a request for an extension of credit by mail or telephone without personal solicitation by a representative of the creditor and the terms of financing, including the annual percentage rate for representative amounts of credit, are set forth in the creditor's printed material distributed to the public, or in the contract of loan or other printed material delivered to the obligor, the disclosure shall be made on or before the date the first payment is due.

(d)(1) This subsection applies to open end credit plans.

(2) Before opening any account under an open end credit plan, the creditor shall, to the extent applicable, disclose to the person to whom credit is to be extended—

(A) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;

(B) the method of determining the balance upon which a finance charge will be imposed;

(C) the method of determining the amount of the finance charge (including any minimum or fixed amount imposed as a finance charge), the percentage rate per period of the finance charge to be imposed, if any, and, in the case of an installment open end credit plan, the equivalent annual percentage rate; and

(D) the conditions under which any other charges may be imposed, and the method by which they will be determined.

(3) For each billing cycle at the end of which there is an outstanding balance under any such account, the creditor shall disclose, to the extent applicable,

(A) the outstanding balance in the account at the beginning of the billing period;

(B) the amount and date of each extension of credit during the period and, if a purchase was involved a brief identification (unless previously furnished) of the goods or services purchased;

(C) the total amount credited to the account during the period;

(D) the amount of any finance charge added to the account during the period, itemized to show the amount, if any, due to the application of a percentage rate and the amount, if any, imposed as a minimum or fixed charge;

(E) the rate, if any, used in computing the finance charge and, in the case of an installment open end credit plan, the equivalent annual percentage rate;

(F) the balance on which the finance charge was computed and a statement of how the balance was determined. If such a balance is determined without first deducting all payments during the period, that fact and the amount of such payments shall also be disclosed;

(G) the outstanding balance in the account at the end of the period; and

(H) the date by which, or the period (if any) within which, payment must be made to avoid additional finance charges.

(4) If a creditor adds to this billing under an open end credit plan one or more installments of other indebtedness from the same obligor, the creditor is not required to disclose under this subsection any information which has been disclosed previously in compliance with subsection (b) or (c).

(5) Any creditor under an open end credit transaction shall furnish any party to the transaction with a written estimate of the approximate annual percentage rate of the finance charge on the transaction determined in accordance with regulations issued by the Board, if the party making the request specifies or identifies the repayments schedule involved and such other essential credit terms as may be prescribed in the regulations issued by the Board.

(e) Written acknowledgment of receipt by a person to whom a statement is required to be given pursuant to this section shall be conclusive proof of the delivery thereof and, unless the violation is apparent on the face of the statement, of compliance with this section in any action or proceeding by or against an assignee of the original creditor without knowledge to the contrary by such assignee when he acquires the obligation. Such acknowledgment shall not affect the rights of the obligor in any action against the original creditor.

(f) If there is more than one obligor, a creditor may furnish a statement of required information to only one of them. Required information need not be given in the sequence or order set forth in this section. Additional information or explanations may be included. So long as it conveys substantially the same meaning, a creditor may use language or terminology in any required statement different from that prescribed by this title.

(g) If applicable State law requires disclosure of items of information substantially similar to those required by this title, then a creditor who complies with such State law may comply with this title by disclosing only the additional items of information required by this title.

(h) If information disclosed in accordance with this section and any regulations prescribed by the Board is subsequently rendered inaccurate as the result of a prepayment, late payment, adjustment, or amendment of the credit agreement through mutual consent of the parties or as permitted by law, or as the result of any act or occurrence subsequent to the delivery of the required disclosures, the inaccuracy resulting therefrom shall not constitute a violation of this section.

(i) If a creditor, in order to aid, promote, or assist directly or indirectly, any consumer credit sale, loan, or other extension of credit subject to the

provisions of this section, other than an open end credit plan, states or otherwise represents in any advertisement.

(1) the rate of the finance charge, the advertisement shall state the rate of the finance charge expressed as an annual percentage rate; or

(2) the amount of an installment payment or the dollar amount of finance charge, the advertisement shall state:

(A) the cash price or the amount of the loan, as applicable;

(B) the downpayment, if any;

(C) the number, amount, and due dates or period of payments scheduled to repay the indebtedness if such credit were extended; and

(D) the rate of the finance charge expressed as an annual percentage rate.

The provisions of this subsection shall not apply to advertisements of residential real estate except to the extent that the Board may by regulation require.

(j) No creditor, in order to aid, promote, or assist directly or indirectly, the extension of credit under an open end credit plan may state or otherwise represent in any advertisement any of the specific terms of that plan unless the advertisement clearly and conspicuously sets forth

(1) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;

(2) the method of determining the balance upon which a finance charge will be imposed;

(3) the method of determining the amount of the finance charge (including any minimum or fixed amount imposed as a finance charge), and the annual percentage rate; and

(4) the conditions under which any other charges may be imposed, and the method by which they will be determined.

(k) No creditor may state or otherwise represent in any advertisement

(1) that a specified periodic credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payments or installments for that period and in that amount; or

(2) that a specified downpayment is required, unless the creditor usually and customarily arranges downpayments in that amount.

(l) For the purposes of subsections (i), (j), and (k), a catalog or other multiple-page advertisement shall be considered a single advertisement if the catalog or other multiple-page advertisement clearly and conspicuously displays a credit terms table on which the information required to be stated by subsections (i), (j), and (k) is clearly set forth.

(m) The prohibitions and requirements of subsections (i), (j), (k), and (l) of this section shall apply only to a creditor or his agent directly or indirectly causing the publication or dissemination of an advertisement and not to the owner, employees, or distributors of the medium in which the advertisement appears or through which it is disseminated.

(n) The provisions of this section shall not apply to

(1) credit transactions involving extensions of credit for business or commercial purposes, or to governments or governmental agencies or instrumentalities, or to organizations;

(2) transactions in securities or commodities in accounts by a broker-dealer registered with the Securities and Exchange Commission; or

(3) credit transactions, other than real property transactions, in which the total amount to be financed exceeds \$25,000.

REGULATIONS

SEC. 204. (a) *The Board shall prescribe regulations to carry out section 203, including provisions*

(1) *describing the methods which may be used in determining annual percentage rates under section 203, including, but not limited to, the use of any rules, charts, tables, or devices by creditors to convert to an annual percentage rate any add-on, discount, or other method of computing a finance charge;*

(2) *prescribing procedures to insure that the information required to be disclosed under section 203 is set forth clearly and conspicuously; and*

(3) *prescribing reasonable tolerances of accuracy with respect to disclosing information under section 203.*

(b) *In prescribing regulations with respect to reasonable tolerances of accuracy as required by subsection (a) (3), the Board shall observe the following limitations:*

(1) *The annual percentage rate may be rounded to the nearest quarter of 1 per centum for credit transactions payable in substantially equal installments when a creditor determines the total finance charge on the basis of a single add-on, discount, periodic, or other rate, and such rates are converted into an annual percentage rate under procedures prescribed by the Board.*

(2) *The use of rate tables or charts may be authorized in cases where the total finance charge is determined in a manner other than that specified in paragraph (1). Such tables or charts may provide for the disclosure of annual percentage rates which vary up to 8 per centum of the rate as defined by section 202(f). However, any creditor who willfully and knowingly uses such tables or charts in such a manner so as to consistently understate the annual percentage rate, as defined by section 202(f), shall be liable for criminal penalties under section 206(b) of this title.*

(3) *In the case of creditors determining the annual percentage rate in a manner other than as described in paragraph (1) or (2), the Board may authorize other reasonable tolerances.*

(4) *In order to simplify compliance where irregular payments are involved, the Board may authorize tolerances greater than those specified in paragraph (2).*

(c) *Any regulation prescribed under this section may contain such classifications and differentiations and may provide for such adjustments and exceptions for any class of transactions as in the judgment of the Board are necessary or proper to effectuate the purposes of section 203 or to prevent circumvention or evasion of, or to facilitate compliance by creditors with, section 203 or any regulation issued under this section. In prescribing exceptions, the Board may consider, among other things, whether any class of transactions is subject to any State law or regulation which requires disclosures substantially similar to those required by section 203.*

(d) *In the exercise of its powers under this title, the Board may request the views of other Federal agencies which in its judgment exercise regulatory functions with respect to any class of creditors, and such agencies shall furnish such views upon request of the Board.*

(e) *The Board shall establish an advisory committee, to advise and consult with it in the exercise of its functions with respect to section 203 and this section. In appointing the members of the committee, the Board shall*

seek to achieve a fair representation of the interests of sellers of merchandise on credit, lenders, and the public. The committee shall meet from time to time at the call of the Board, and members thereof shall be paid transportation expenses and not to exceed \$100 per diem.

EFFECT ON STATE LAWS

SEC. 205. (a) This title shall not be construed to annul, alter or affect, or to exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that such laws are inconsistent with the provisions of this title, or regulations issued thereunder, and then only to the extent of the inconsistency. This title shall not otherwise be construed to annul, alter or affect in any manner the meaning, scope or applicability of the laws of any State, including, but not limited to, laws relating to the types, amounts or rates of charges, or any element or elements of charges, permissible under such laws in connection with the extension or use of credit, nor to extend the applicability of such laws to any class of persons or transactions to which such laws would not otherwise apply, nor shall the disclosure of the annual percentage rate in connection with any consumer credit sale as required by this title be evidence in any action or proceeding that such sale was a loan or any transaction other than a credit sale.

(b) The Board shall by regulation exempt from the requirements of section 203 any class of credit transactions which it determines are subject to State law or regulation substantially similar to the requirements under that section, with adequate provision for enforcement.

(c) Except as specified in section 206, section 203 and the regulations issued thereunder do not affect the validity or enforceability of any contract or obligation under State or Federal law.

CIVIL AND CRIMINAL PENALTIES

SEC. 206. (a)(1) Any creditor who, in connection with any credit transaction, knowingly fails in violation of section 203 (except sections 203(i), 203(j), and 203(k)), or any regulation issued thereunder, to disclose any information to any person to whom such information is required to be given shall be liable to such person in the amount of \$100, or in any amount equal to twice the finance charge required by such creditor in connection with such transaction, whichever is the greater, except that such liability shall not exceed \$1,000 on any credit transaction.

(2) In any action brought under this subsection in which it is shown that the creditor disclosed a percentage rate or amount less than that required to be disclosed by section 203 or regulations prescribed by the Board (after taking into account permissible tolerances), or failed to disclose information so required, there shall be a rebuttable presumption that such violation was made knowingly. The presumption is rebutted if the creditor shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error. A creditor has no liability under this subsection if within fifteen days after discovering the error, and prior to the institution of an action hereunder or the receipt of written notice of the error, the creditor notifies the person concerned of the error and makes whatever adjustments in the appropriate account as are

necessary to insure that the person will not be required to pay a finance charge in excess of the amount or percentage rate so disclosed.

(3) Any action under this subsection may be brought in any United States district court, or in any other court of competent jurisdiction, within one year from the date of the occurrence of the violation. In any such action in which a person is entitled to recover a penalty as prescribed in paragraph (1), the defendant is also liable for reasonable attorneys' fees and court costs as determined by the court.

(b) Any person who knowingly and willfully gives false or inaccurate information or fails to provide information required to be disclosed under the provisions of this title or any regulation issued thereunder, or who otherwise knowingly and willfully violates any provision of this title or any regulation issued thereunder, shall be fined not more than \$5,000 or imprisoned not more than one year, or both. The Attorney General shall enforce this subsection.

(c) No punishment or penalty provided for a violation of section 203 or any regulation issued under section 204 applies to the United States, or any agency thereof, or to any State, any political subdivision thereof, or any agency of any State or political subdivision.

(d) No person is subject to punishment or penalty under this section solely as the result of the disclosure of a finance charge or percentage which is greater than the amount of such charge or percentage required to be disclosed by such person under section 203, or regulations prescribed by the Board.

ADMINISTRATIVE ENFORCEMENT

SEC. 207. All of the functions and powers of the Federal Trade Commission are applicable to the administration and enforcement of this title to the same extent as if this title were a part of the Federal Trade Commission Act, and any person violating or threatening to violate any provision of this title or any regulation in implementation of this title is subject to the penalties and entitled to the provisions and immunities provided in the Federal Trade Commission Act, except as follows:

(1) The exceptions stated in section 5(a)(6) of the Federal Trade Commission Act (15 U.S.C. 45(a)(6)) are not, as such, applicable to this title.

(2) No bank or thrift institution is subject to the jurisdiction of the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title if the bank or institution is subject to section 5(d) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(d)), section 407 of the National Housing Act (12 U.S.C. 1730), or section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818). The Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation) shall enforce this title and regulations in implementation thereof with respect to banks and other institutions under their respective jurisdictions.

(3) No common carrier subject to the acts to regulate commerce is subject to the jurisdiction of the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title. The Interstate Commerce Commission shall enforce this title and regulations in implementation thereof with respect to such carriers.

(4) *No air carrier or foreign air carrier subject to the Federal Aviation Act of 1958 is subject to the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title. The Civil Aeronautics Board or the Federal Aviation Administration, as may be appropriate, shall enforce this title and regulations in implementation thereof with respect to any such carrier.*

(5) *Except as provided in section 406 of the Act of August 15, 1921 (7 U.S.C. 227)—*

(A) no person, partnership, or corporation subject to the Packers and Stockyards Act, 1921, is subject to the jurisdiction of the Federal Trade Commission or to the provisions of that Act with respect to this title, and

(B) the Secretary of Agriculture shall enforce this title and regulations in implementation thereof with respect to persons, partnerships, and corporations subject to the Packers and Stockyards Act, 1921

REPORTS

SEC. 208. Not later than January 3 of each year commencing after the effective date of this title, the Board of Governors of the Federal Reserve System and the Attorney General shall, respectively, make reports to the Congress concerning the administration of their functions under this title, including such recommendations as the Board and the Attorney General, respectively, deem necessary or appropriate. In addition, reports of the Board of Governors of the Federal Reserve System shall include the Board's assessment of the extent to which compliance with the provisions of this title, and regulations prescribed thereunder, is being achieved.

EFFECTIVE DATE

SEC. 209. The provisions of this title shall take effect on the first day of the ninth calendar month which begins after the date of enactment of this title, except that section 204 shall take effect immediately.

SUPPLEMENTAL VIEWS OF REPRESENTATIVES WRIGHT
PATMAN, ABRAHAM J. MULTER, WILLIAM A. BARRETT,
LEONOR K. SULLIVAN, HENRY S. REUSS, WILLIAM S.
MOORHEAD, FERNAND J. ST GERMAIN, HENRY B.
GONZALEZ, JOSEPH G. MINISH, JONATHAN B. BINGHAM,
AND SEYMOUR HALPERN

H.R. 11601, as approved by near-unanimous vote of the Committee on Banking and Currency, is, in most respects, a strong bill to provide many important protections for the consumer in his use of credit. We are proud to have been original sponsors, or, in key votes in the committee, supporters of these far-reaching reforms in consumer credit practices.

Nevertheless, and because we believe strongly in the purposes of the legislation, we must call to the attention of the House the fact that the bill now contains two loophole committee amendments of such serious magnitude that, despite all of the many good things the bill does, it could not, in its present form, accomplish the main purpose for which it is intended. That purpose is to assure to the consumer sufficient, clearly understandable and readily comparable information to enable him to measure various types of consumer credit proposals with one another and then decide, with reasonable accuracy, which offer is more suitable to his economic situation, or a better buy, or whether he should dip into his savings or make other arrangements to avoid using credit in a particular situation.

SHOPPING FOR CREDIT

This objective was the heart of truth-in-lending legislation as first proposed 7 years ago by former Senator Paul H. Douglas of Illinois, and vigorously endorsed by Presidents John F. Kennedy and Lyndon B. Johnson in their consumer messages to Congress. It was the objective behind S. 5 as introduced in the Senate earlier this year by Senator William Proxmire of Wisconsin, and was the prime objective of those of us who originally introduced H.R. 11601 or its identical companion measure, H.R. 11806.

If consumers were already thoroughly knowledgeable about credit terminology and interest rate percentages, truth-in-lending legislation would not be needed. It is because this field has become, over a period of many years, such an impenetrable jungle of confusing terms and incomprehensible concepts for the average consumer that legislation must now be enacted. But it will not solve the problem to enact a bill which freezes into law the very differences in the expression of credit costs that have caused so much of the confusion to begin with.

To compare a department store or mail-order house's credit charges on a purchase with the credit charges made by a furniture store or appliance dealer, and to compare both with the cost of a loan from a

bank or other institution, the consumer must have a uniform standard of measure. This standard, to be effective, should be based on a percentage rate. The only kind of percentage rate which would be meaningful, and readily understandable, to all consumers—as it is now to all professionals in the field of money and credit—is an annual percentage rate.

THE TWO BIG HOLES IN TITLE I, THE TRUTH-IN-LENDING TITLE OF
H.R. 11601

The two exemptions, or loopholes, written into H.R. 11601 by a majority of the members of the Committee on Banking and Currency, which would defeat the basic thrust of title I, the truth-in-lending title of the bill, are:—

1. The “open end” exemption which permits the very large department stores and chains, mail order houses, and other sellers using computerized “revolving credit,” and some credit card systems, to express their credit charges to the customer on a periodic percentage rate basis (customarily a monthly rate), rather than the annual rate method prescribed in the bill for all other forms of consumer credit; and

2. The \$10, or “loan shark” loophole, which lays a blanket of concealment over the costs, on a percentage basis, of a vast number of additional consumer credit transactions in which the credit charge does not exceed \$10, meaning deferred payment sales or loans up to about \$110.

If these two exemptions, which were included in the Senate-passed truth-in-lending bill, are agreed to by the House on H.R. 11601, they would permit the suppression, rather than force the disclosure, of the most important information a consumer requires in order to be able to use credit intelligently and discriminatingly in most of his day-to-day credit transaction.

“A statement of part of the facts”

Annual rate disclosure would still be required for the largest and most important individual credit transactions the average family may make—such as the purchase of a home, or automobile, or furniture, or a “large ticket” appliance on which the payoff period runs beyond 19 months, or substantial loans, et cetera. But while these may represent the bulk of consumer credit outstanding in dollar volume, they represent only a small portion of consumer credit transactions, leaving out the majority of instances in which most families use credit.

Lower income families would still spend most of their credit dollars without having an opportunity to learn how to use those dollars wisely. Without knowing it, they would be paying at rates of 18 or 24 percent, or more, for what they are told are “easy terms” of 1½ or 2 percent a month on revolving credit. And they would be paying rates of 120 or 240 percent or even more, on other transactions on which the credit charges are given as “only \$10.”

How can anyone justify, in a truth-in-lending bill, two provisions which so conceal the truth from those who need it most?

Unless these two amendments are defeated in the House, the consumer will be offered—in most of his credit dealings—not the whole truth, not the full information which he needs for comparison shopping

for credit, but "a statement of part of the facts, the remaining facts being purposely suppressed; an incomplete recital—usually intended to evade blame or to deceive"—in other words, the dictionary definition of a half-truth. In the case of "revolving credit," this information might properly be described not as half-truth but as one-twelfth of the truth. And in the case of other purchases or loans up to \$100 or \$110, it would be no truth at all, on a percentage rate basis, for none would be required.

THE ONE-TWELFTH-OF-THE-TRUTH SHELTER FOR OPEN-END CREDIT

The amendment on "revolving credit," or "flexible charge," or similar computerized open end credit plans used by big retailers, or in some bank credit card systems, was adopted in committee by a vote of 17 to 14. It apparently was based on the self-serving claim of the American Retail Federation that a "true" or "simple" annual percentage rate cannot be determined in advance for charge accounts on which there is a variable free credit, or grace period (the so-called free ride), followed by a period for which a credit charge is assessed.

Under this reasoning, vigorously pressed by spokesmen for the largest retailers in the Nation, a typical charge of $1\frac{1}{2}$ percent per month assessed on a customer's unpaid balance, as of the same date each month, is not at a rate of 18 percent a year because the customer usually pays it off long before a year elapses, and makes payments on his account, and other purchases, at his own option, often being liable for no service charge whatsoever.

If an annual rate were to be required for this form of credit, they say, it would have to be determined retroactively at the end of a year in order to be accurate, based on the number of days the customer enjoyed free credit as well as the total credit charges he paid during that year.

This reasoning, apparently persuasive to a majority of the committee, neglects the fact that under a revolving credit account, a transaction is, in effect, a cash deal with no service charge for a specified "free ride" period, and then, and only then, becomes a credit transaction on which a fee is charged.

Many stores, in fact, offer "cash" terms up to 3 months on which no credit charge is assessed. Others offer varying periods of free credit, from 30 to 59 days after the date of the first billing. There is nothing in this legislation to prohibit the store from emphasizing the period of free credit on which no service charge is assessed. Under H.R. 11601 as introduced, it would not have to make any statement to the customer implying that it was charging 18 percent, or any percent, service charge for that period.

The Competitive Advantage of the Monthly Rate

However, for the period for which service charges are to be made, the bill, as amended, permits such stores to state the charge on a monthly percentage rate only, rather than on an annual rate. The testimony before our committee is overwhelming, from consumer groups and also from businesses and banks which would not enjoy the "revolving credit" loophole of this amendment, that most consumers are not sophisticated enough about interest rates to be able to translate a monthly percentage rate into an annual rate. This

amendment, therefore, provides the largest retailers with a tremendous competitive advantage in stating their charges on a small-sounding monthly rate basis while their independent competitors would have to reveal the annual rate of their credit charges.

This problem was probably best documented in the testimony of Mr. Charles D. Stapp, president of Koos Bros., Rahway, N.J., president of the National Retail Furniture Association, when he stated—in calling for a uniform percentage rate disclosure method for all vendors of credit:¹

When competition between credit grantors is considered, the major consideration is that each competitor (retailer or financial institution) be required to quote the consumer identically for the same credit offer. In dealing with people, in addition, identical offers have both factual and psychological sameness and differences. Rates of $1\frac{1}{2}$ percent a month and 18 percent a year are not psychologically identical to consumers * * *.

Mr. A. G. Bassham in testimony on S. 5 in behalf of the National Retail Furniture Association related his firm's experience in explaining credit rates to about 200 new customers. He told the committee that some of his store's more experienced credit counselors were asked to alternate their method of disclosing the cost of their credit plan to customers. Some customers were told the credit service charge on the new account they were about to open would be $1\frac{1}{2}$ percent a month, while other customers opening new accounts under the same terms were told the credit service charge would be 18 percent a year. Each time the credit counselor quoted the 18-percent rate he was involved in a 30- to 45-minute discussion of what it was going to cost the customer, but when the credit counselor quoted the $1\frac{1}{2}$ -percent rate it was quite readily understood and accepted by the customer.

The furniture dealers, auto dealers, appliance, hardware, sporting goods and music stores, banks, loan firms, and other sellers and lenders which would have to state their credit charges on an annual percentage rate basis while the big department stores and catalog houses could invoke the monthly rate loophole of this committee amendment feel, with good reason, that this disparity of treatment places them at a serious competitive disadvantage. They would prefer, of course, having similar treatment for themselves—that is, being permitted to state their credit costs also on a monthly rate basis, and not be required to state annual rates.

However, while this might seem to solve the problem of competition among sellers and lenders, it would certainly solve nothing for the consumer, unless we were at the same time to revolutionize the entire system of finance in the United States to require also that bank deposit interest be stated as one-third of 1 percent a month rather than 4 percent a year, and mortgages, stock dividends, savings and loan shares, Treasury and private bonds, and all other money rates customarily stated on an annual rate basis be required to be stated on a monthly basis.

¹ Hearings, p. 709.

Recognizing this problem, the banks and businesses which would be so greatly disadvantaged by the committee amendment favoring revolving credit have, therefore, urged the committee and the Congress to require that all credit terms be annualized under this legislation. In opposing this committee amendment, we seek to achieve the uniformity in measurement of rates which most of the credit industry itself demands, and which the consumer sorely needs.

What is the rate on revolving credits?

The argument made by the major retailers that the $1\frac{1}{2}$ percent a month which most of them charge on unpaid balances is not at an annual rate of 18 percent, because of the "free ride" period for which no service charge is made, deliberately confuses the store's yield on its accounts receivable with the rate at which the charge is assessed.

This argument would be similar to that of a motorist traveling at a rate of 44 feet per second but insisting that he was not going at the rate of 30 miles per hour because he had not driven at that speed for an entire hour. Regardless of how short or long a distance he travels at the rate of 44 feet per second, his rate—during that period—is still 30 miles per hour.

However, if he clocks his traveltime in relation to the number of miles he has actually covered, he may come up with an average speed far different from 30 miles per hour, just as the store may average less than 18 percent a year on a particular credit account. But just as the motorist's speedometer is accurate whenever it translates a rate of 44 feet per second into 30 miles per hour, "truth-in-lending" computations likewise would be accurate when they translated a monthly rate of $1\frac{1}{2}$ percent on revolving credit to a rate of 18 percent a year.

To use the speedometer analogy in another way, the period of "free ride" would no more enter into the computation of the annual percentage rate on a revolving credit charge than would a motorist's speedometer reading evidence a violation of the speed laws if the car were standing still with the back wheels spinning on ice.

It is only when the car is moving forward at the speed actually shown on the speedometer that the miles-per-hour reading on the device has any meaning, and it is only when a credit assessment actually begins to run, at $1\frac{1}{2}$ percent a month or any other periodic rate, that an accurate annual rate can be determined from it.

Thus, when the retailer's revolving credit charge begins to run at $1\frac{1}{2}$ percent a month, the annual rate cannot be other than 18 percent a year, even though the store's yield on that account over a year's time may be far less than 18 percent, depending upon how often during the year the account is paid up within the specified grace period with no service charge whatsoever.

These are the mathematical facts of this controversy.

We are all aware that on our passbook savings accounts the bank pays us at an annual rate of 4 percent. However, we are equally aware that whether we receive this full 4 percent or not will depend upon when we make deposits or withdraw money. The amount we actually receive is our yield, but the fact that our yield on a savings account may vary cannot change the fact that the bank pays us at an annual rate of 4 percent.

Without the committee amendment on revolving credit, a store would still be free to use a monthly rate in its statement of credit

charges, if it wished to do so for any reason, just so long as it also stated the annual rate. There was nothing in the bill prior to adoption of the committee amendment to prohibit the use of a monthly rate or similar information clarifying or explaining the method of determining the annual rate.

Position of the Federal Reserve Board

Since the Board of Governors of the Federal Reserve System would issue all regulations dealing with the disclosure of finance charges, rates, etc., under H.R. 11601, the position of the Board on the mechanics of an annual rate disclosure requirement for revolving credit, and on the importance of such a requirement, should certainly be noted here.

In testifying on H.R. 11601 before the Subcommittee on Consumer Affairs, prior to the amendment of the House bill in the full committee to contain the exemption for revolving credit previously adopted by the Senate on S. 5, Federal Reserve Board Vice Chairman James L. Robertson gave the position of the Board in this matter as follows:²

The provisions of H.R. 11601 relating to open-end credit plans—revolving credit—offer important advantages, we believe, over the comparable provisions of S. 5. Under the Senate bill, an annual percentage rate need not be disclosed for most revolving credit plans; although the percentage rate per period must be disclosed. To guard against the possibility that existing forms of ordinary installment credit might be converted to revolving credit in order to escape disclosure of an annual percentage rate, the Senate bill's exemption for revolving credit is limited to plans that meet three tests. To qualify for exemption a plan must require payment of at least 60 percent of the amount of the credit within 1 year, must not involve retention by the creditor of a security interest in property, and must provide for crediting prepayments immediately to reduce the balance due.

These compromise provisions were adopted in response to criticism by representatives of a segment of the retail industry, who argued that it would be unfair to require disclosure of an 18-percent annual percentage rate for revolving credit plans under which a monthly charge of 1½ percent was imposed, because that would ignore the "free ride" period between the date the sale was made and the last date on which the bill could be paid without imposition of any finance charge. Inclusion of the "free ride" period—that is, calculation of the annual percentage rate from the date of purchase rather than the date on which payment must be made to avoid a finance charge—would, it is true, produce annual rates below 18 percent where a monthly charge of 1½ percent is imposed. But an 18-percent annual rate is the exact equivalent of a 1½-percent monthly rate and is a fair and meaningful figure if one assumes that the credit begins at the end of the "free ride" period. We believe that this is the significant date from the point of view of a customer who is considering whether to pay the entire balance and avoid any finance charge.

² Hearings, pp. 125-126.

In eliminating the revolving credit exemption, the sponsors of H.R. 11601 have recognized the importance of providing consumers with a standardized method of comparing credit costs, and have avoided giving one type of creditor an unfair competitive advantage over another.

In addition to rate information, knowledge of the specific accounting practices employed by the store is necessary for accurate comparison of credit costs in the case of open-end credits. Though it is impossible to calculate in advance the influence of such differing practices on effective finance charges, the consumer should at least be alerted in clear and unambiguous language to the differences that may exist. Thus, the Board has recommended, and both the Senate bill and H.R. 11601 require, that information disclosed on all open-end credit plans must include the duration of any free period allowed, the method of computing the balance against which the finance charge is imposed, and minimum or special charges—if any.

Such information would be disclosed in some detail when the account is opened, and, in addition, a brief disclosure of the essentials would be required in the monthly bill.

We believe that this information would give the credit user a picture that is fair to the store, informative to the customer, useful in comparing charges from store to store, and broadly comparable to other rates charged for credit or paid on savings.

Charging the groceries

Revolving credit now represents only about 5 percent of consumer credit outstanding other than real estate credit, but it has been growing at a tremendous rate and, according to some experts, in the next 5 years will have captured about 50 percent of the consumer credit market. If this form of credit is favored by a special exemption in truth-in-lending legislation, the already strong trend toward open-end credit plans will be greatly accelerated.

In the meantime, we now have the word of Business Week magazine that credit card systems are even following the housewife into the food supermarkets, where, after carefully shopping the specials and making sure she has received all of the trading stamps to which she is entitled, she can blithely charge her groceries at the checkout counter for “only” 3 percent a month.

Shouldn't an effective truth-in-lending law require that she be told she is paying the equivalent of 36 percent annual interest on her grocery store charge account? The bill, as amended by the committee, would not require that the consumer would have to be so informed.

Two corollary amendments on revolving credit

In addition to the main amendment adopted by the committee on revolving credit, two corollary amendments also bear on this subject. Both should be removed from the bill along with the major amendment they modify.

One of them establishes a category of credit known as installment open-end credit in an attempt to set up a barricade against the indiscriminate admission of installment sales or loan transactions into the monthly rate shelter set up by the committee for revolving credit.

This supplementary amendment, in and of itself, constitutes a tacit admission that the revolving credit exemption undermines the whole concept of "truth in lending"; thus, it sets arbitrary characteristics for eligibility for this privilege in order to keep as many independent businesses as possible from qualifying for the special exemption intended only for the big stores using computerized systems.

The other supplementary amendment professes to enable the customer to obtain from the retailer on request a written statement of the annual percentage rate on that particular customer's revolving credit account. However, as adopted by the committee, the amendment extends to the customer only the right to ask the store what the store's yield will be on his account. This amendment would establish in the law the concept that the free period, or grace period, on a revolving credit account, should be counted into the interest rate computation, even though no service charge is made and none is paid for that period.

The consumer would be far better served, of course, by being told the rate at which the charge is assessed, not the yield to the store from that particular account based on estimates in advance of how the account might be paid off. This amendment appears to provide a means for the customer to obtain information which could be compared with other forms of credit, but it would not be the right information the customer needs for that purpose.

THE \$10 "LOAN SHARK" LOOPHOLE

The second major defect in title I of H.R. 11601, as amended by the committee, is the amendment to exempt from percentage rate disclosure requirements—monthly or annual—any transaction, other than an open-end credit transaction, in which the credit charge does not exceed \$10. As stated previously, this would throw a blanket of concealment, from a comparison shopping standpoint, over countless transactions of the average family amounting to as much as \$100 or \$110.

The original intent of this amendment, as first proposed, was to relieve very small firms from the necessity of figuring out the percentage rate on occasional credit sales, on the theory that in one-man establishments, or "pop and mom" stores, the proprietors have little time to devote to such bookkeeping chores.

The irony of this amendment is that its greatest and most enthusiastic support has come from the American Bankers Association, the Independent Bankers Association, the big retailer associations, the loan companies, and other interests which are not only quite competent to determine the annual percentage rate on any transaction without difficulty or hardship but are also very much aware of the implications to their businesses of this vast loophole.

Because of the tremendous potential of this amendment for the most flagrant abuse of the consumer's right to fair treatment, the committee modified it to state that a single sale could not be divided into several separate transactions merely for the purposes of evading annual rate disclosures. Policing this provision will be difficult, if not impossible. And the opportunities for abuse are fantastic, and frightening.

The American Bankers Association strongly approves of this "small business" amendment because, under its terms, its member banks would not have to admit to borrowers that the minimum charge of \$10 on a 1-month "accommodation" loan of \$100 actually comes to an annual finance charge of 120 percent. The Independent Bankers Association added that many of its banks have smaller minimums (as low as \$1) but that at \$5 for a \$100 loan for 1 week the annual rate would be 260 percent.

No one disputes the fact that small loans of this nature are costly to a bank, and that the minimum charge often does not cover accounting expenses. But does the borrower realize that his loan requires a 120- or 260-percent finance charge? If he knew, would he perhaps shop around for a better deal on a loan of that nature—say at his credit union, where the rate would be, not 120 or 260 percent, but 12-percent true annual interest?

Far more serious than the suppression of the true cost of borrowing from legitimate lenders is the invitation this amendment extends to predatory loan sharks and credit gyps to continue to charge \$5 or \$10 on a loan week after week, constantly refinancing the obligation, without having to tell the borrower anything more than the dollar cost of \$10 or less per transaction.

People who are desperately in need of loans will pay whatever rate they are asked to pay. But there is no reason to throw a protective arm of this law around those who prosper handsomely from cruelly exploiting, and gouging the ignorant and very poor in the use of credit.

Without this amendment, very small businesses engaging in infrequent credit transactions where truth-in-lending requirements might be burdensome can be exempted by the regulations of the Federal Reserve Board from any of the provisions of title I. Furthermore, neither the Small Business Administration nor the Department of Commerce felt that compliance with the full disclosure requirements of H.R. 11601 as introduced, would create any unusual problems for small concerns which normally engage in credit transactions for they would already be familiar with the kind of rate tables which would be issued as guides for compliance with the truth-in-lending regulations.

Hence, it would not be small business, but very large businesses—and the ubiquitous neighborhood loan sharks—which would reap the real benefits of this loophole amendment.

Speaking of this proposal to exempt from percentage rate disclosure requirements those transactions in which the credit charge is \$10 or less, the Honorable Betty Furness, Special Assistant to the President for Consumer Affairs, testified:³

This is the area where the poor are subject to most abuse. We shouldn't discriminate against the man who purchases a small powersaw, and who pays only \$8 interest, in favor of the family that buys a \$700 set of furniture and pays \$100 interest.

"TRUTH IN LENDING" SHOULD BE THE WHOLE TRUTH

To achieve the purposes of title I of H.R. 11601, "informed use of credit" based on "full disclosure" of the costs of credit in a manner

³ Hearings, p. 87.

which would enable the consumer to compare competing offers of credit, the committee amendments exempting revolving credit from annual rate disclosure and the \$10 exemption should be defeated.

WRIGHT PATMAN.
FERNAND J. ST GERMAIN.
ABRAHAM J. MULTER.
HENRY B. GONZALEZ.
WILLIAM A. BARRETT.
JOSEPH G. MINISH.
LENOR K. SULLIVAN.
JONATHAN B. BINGHAM.
HENRY S. REUSS.
WILLIAM S. MOORHEAD.
SEYMOUR HALPERN.

SUPPLEMENTAL VIEWS OF HON. LEONOR K. SULLIVAN

As the principal sponsor of H.R. 11601 and chairman of the Subcommittee on Consumer Affairs which conducted extensive hearings on the legislation, I am proud to have my name associated with the many features of a bill which should give to consumers greater confidence in the honesty and competitiveness of the credit industry, and greater self-assurance in their use of credit. The two big loopholes placed in the bill by the committee amendments on revolving credit and the \$10 exemption are fully discussed in the supplemental views signed by 11 members of the committee and need no further discussion here. But as the House prepares to take up H.R. 11601, it is important to a full understanding of the measure to place the background of the bill in proper perspective.

Title I, the truth-in-lending title, grew, of course, out of the original legislation on this subject introduced 7 years ago by the then senior U.S. Senator from Illinois, the Honorable Paul Douglas. His imaginative development of this concept, and the indefatigable and patient and effective effort he devoted to its promotion, entitle him to the deep gratitude of every American. Every consumer and every businessman who believes in the integrity and surging vitality of an economic system in which competition can be based on honest quality, price, and service, rather than on customer uncertainty, confusion, and deception, are in Paul Douglas' debt.

The credit industry should be particularly grateful. Out of the operations of this legislation should come needed help to the decent elements in this vital industry in overcoming unfair and dishonest competition from an unscrupulous minority engaging in practices which too often discredit credit and dishonor its ethics.

RESPONSIBLE MAJORITY OF CREDIT INDUSTRY RECOGNIZES NEED FOR LEGISLATION

Despite past misgivings of some leaders of the credit industry over the possible "interference" of truth-in-lending legislation with customary methods of doing business, that industry, on the whole, has been helpful to my subcommittee and to the full committee in the development of technical aspects of this legislation. No industry wants regulation for the sake of regulation; but this industry, like all responsible industries beset by fringe operators who give a bad name to an essential service, has demonstrated a willingness to accept a significant number of long overdue reforms which can be accomplished only through legislation.

This bill would strengthen the overwhelming majority of those in the credit industry seeking to improve services to the public, not mulct the consumer.

The legislation should also encourage more consumers to use credit with care and responsibility, as it becomes more generally recognized that the "renting" of money, to use Calvin Coolidge's homespun

description, or the deferred payment of purchases, cannot be cheap at a time when interest rates are the highest in generations.

Without the vast resources of the credit industry and the many new techniques it has developed for financing the purchase of goods and services, our recordbreaking gross national product would quickly evaporate into a fraction of its present size. Homebuilding would stagnate, automobile sales plummet, the vast array of appliances and devices for improved living and recreation now within the reach of the average family, would be reserved to the very wealthy.

But too many Americans have found "easy credit" far easier in terms of availability than in their ability to repay. The personal and family tragedies caused by overextension of credit are reflected in the alarming rising flood of personal bankruptcies.

This bill, by itself, will not curb the excessive appetite of "credit addicts" for luxuries they cannot afford. But, by spotlighting the true costs of various forms of credit, and limiting the ability of predatory credit outfits to use the process of garnishment as a bargain-priced substitute for reasonable investigation of the financial responsibility of potential customers, irresponsible practices in the use of credit can be sharply reduced. Of course, this assumes that the legislation as finally enacted will require full disclosure of consumer credit costs under uniform standards, and will retain restrictions on garnishment.

BACKGROUND OF H.R. 11601

While the basic provisions of the truth-in-lending sections of the bill grew out of the Douglas bill (except for the committee exemptions neither former Senator Douglas nor I condone), H.R. 11601 goes well beyond mere disclosure of finance rates at the point of completion of a credit transaction. The advertising section was first proposed in this bill as introduced; so was the section on administrative enforcement. Both have been improved in committee, under amendments which I sponsored and which the committee approved almost unanimously. The Bingham amendment on clarification of the confusing practices in differing revolving credit plans is a significant improvement. The garnishment title is new, and the Halpern amendment strengthens not only the acceptability of this title, but its practical effectiveness as well. The proposal in title III for a National Commission on Consumer Finance may, in retrospect, turn out to be one of the most useful features of the bill from a long-range standpoint, if it brings us, as intended, a long overdue, comprehensive review of the entire consumer credit field, with recommendations to Congress for further improvements in one of our most important industries.

DELETIONS FROM H.R. 11601

Four controversial provisions of the bill as originally introduced were deleted from the measure in subcommittee, on my motion, after hearings demonstrated a lack of adequate support for them from both administration and consumer witnesses, and reflected uniform opposition from business.

These provisions were inserted in the bill originally for the very purposes they did serve; that is, for an airing of issues in the field of credit utilization which have been neglected, but which nevertheless

deserve public attention. I am convinced that these proposals, as included originally in the bill or in some other form, will eventually become law. Our hearings succeeded in stimulating some significant interest in them, even if not enough to achieve passage. But these hearings should speed the day when they will receive greater legislative attention. However, the proposals referred to were not regarded by me, or by any of the cosponsors of H.R. 11601, as attainable in this legislation at this time.

A Federal Usury Ceiling

One was the proposal for a Federal ceiling on the percentage rate of credit charges. This idea was suggested by Chairman Wright Patman, foe of unconscionable interest rates. The arbitrary figure used in H.R. 11601 for discussion purposes was 18 percent. Such a limit would probably close down most of the small loan firms in the country, which charge fees ranging far higher than 18 percent, up to legal ceilings in some States of 42 percent, and even higher rates in States which do not regulate such charges. The purpose of the 18-percent figure was not to close down legitimate businesses, but to educate us all to the realities of credit's high costs, with the hope that a viable and fair ceiling might be devised and eventually enacted. Let us hope that the States can take care of this problem by proceeding to revise and reform their generally outmoded or ineffectual laws on maximum rates.

Standby Credit Controls for National Emergencies

The second proposal deleted in subcommittee called for the creation of machinery for standby controls over consumer credit, to be used only in periods of grave national emergency. When such a law was recommended to the House last year by our committee, as an amendment to the Defense Production Act (where it belongs), it was defeated on two grounds: first, that we were not in a national emergency; and second, that no hearings had been conducted on the proposal. It is my view that the authority for standby credit controls, which would be needed instantly in a war situation, should be enacted not when we are engaged in a battle for our national survival—when calm appraisal by the Congress of the details of such legislation would be impossible to achieve—but now, before an emergency requiring them even begins to appear over the distant horizon. Like some of our other defense weapons we hope we never have to use, economic defenses for emergency situations should be enacted and placed on the shelf—ready to use instantly if disaster should strike.

Our hearings developed no great clamor for these standby economic defense powers—quite the contrary. But they also brought out clearly the lack of effective machinery in our existing laws for confronting a possible extreme danger to our economic survival from the sudden inflationary impact of a great national emergency. I felt that the immediate objectives of placing this provision in H.R. 11601 were served in the hearings, and therefore moved to delete this section from the bill.

Margins on Commodity Futures

The third controversial proposal dropped in subcommittee from H.R. 11601 dealt with the regulation of margins on commodity futures trading. This is a vastly neglected issue involving the use of small

downpayments, or "earnest money" on futures contracts worth many thousands of dollars, traded in by professionals and numerous amateurs betting on a rise or fall in the prices of dozens of different basic commodities—not just agricultural commodities, but also many essential defense materials. Excessive speculation at very low margins can and does influence the prices of such commodities, causing wide and unstabilizing swings in these prices during any periods of market dislocation, yet no Federal agency has a word to say about the margins which are set by the various privately run exchanges.

The stock market was—disastrously—free of margin regulation prior to the enactment of the Securities and Exchanges Act of 1934, giving margin control powers to the Federal Reserve Board; all of the futures markets, however, are still exempt from any Federal margin regulation. This issue remains to be solved. The hearings on H.R. 11601 contributed to public awareness of the problem, but not enough so to bring about legislation at this time. Thus, I moved to remove this provision also from the bill.

"Confession of Judgment" Notes

The fourth deletion from H.R. 11601 dealt with a proposed ban on "confession of judgment" notes. These are instruments of financial self-incrimination which are imposed by some segments of the credit industry, usually on trusting but naive consumers who innocently sign away their legal rights as a required, but not understood "formality," of a credit transaction. Despite later utter lack of good faith by the seller or lender, or even outright cheating on the quality of the goods purchased on credit, the customer is left with no legal right of self-defense against the alleged debt, and is often gouged to the last penny of the obligation, plus, in many instances, a multitude of added-on charges, fees, and penalties representing outright financial cruelty.

Essentially, this is a problem for State laws to solve. But, like many of the other problems in the consumer credit field, action at the State level has been excruciatingly slow. I sincerely hope the information brought out in our hearings on the legal trappings of credit entrapment, so widespread in consumer credit transactions involving the poor and uneducated, will now encourage prompt State action to end such practices as the use of confession of judgment notes.

THE CONSUMER MUST FIGHT FOR HIS RIGHTS

In connection with this legislation, I strongly urge the leaders of our many voluntary nonprofit organizations, public agencies, newspapers and other mass media, and all whose interest in political issues is primarily from the standpoint of the public interest rather than special economic interest, to alert the consumers of this country to the many protections they already enjoy by law, to encourage them to seek and obtain the help which is available to them and educate them on how to fight for their rights in the credit marketplace. Agencies engaged in aspects of the war on poverty must become particularly alert to their opportunities to help individual families protect themselves from the predatory racketeers which infest the fringe of the credit industry and which zero-in on those least able to defend themselves.

H.R. 11601—if enacted by Congress without destructive amendments such as the resolving credit and \$10 exemptions recommended

as committee additions to this bill—can provide substantial additional help to all consumers, from highest to lowest economic levels, in utilizing credit with greater selectivity and effectiveness. The greatest need for this help, of course, is at the lowest income levels, where the words “credit” and “gouge” are often synonymous to the user-victim. If H.R. 11601 can succeed in this objective, all who participate in its enactment can be proud of having had an opportunity to serve in the cause of economic decency.

LEONOR K. SULLIVAN.

SUPPLEMENTAL VIEWS OF CONGRESSMAN RICHARD T. HANNA

The sobriquet "truth-in-lending" has been less than descriptive of the legislation unanimously adopted by the Senate, and now reported from the House Banking Committee. Unfortunately, this popular title has done little in the way of accurately reporting the real nature of the issues to which this legislation addresses itself. Even more unfortunate the title "truth-in-lending" has falsely led many to blanket the credit industry with the misleading conclusion that the industry is "less than truthful."

While there are, as the testimony in hearings point out, unscrupulous creditors who prey upon those least able to defend their own interests, still the overwhelming majority of establishments offering credit reflect reputable and honest business practices. The reported legislation should in no way be considered an indictment against our Nation's credit industry, for on the whole it provides a most valuable and needed service to our economy. Rather this measure should serve as a notice that Congress, in the absence of State regulations, recognizes it must be responsible for maintaining a balance between the interests of the consumers of credit and those who offer it.

The real consideration before our committee, and the one which the Senate struggled for 7 years with, was one of balancing the needs and interests of the consumer with the reputable credit practices of business. Specifically, we were confronted with the relative proposition of how much and what type of information the consumer needed the creditor to report before he could make an intelligent determination in contracting for any particular program of credit. In order to answer this question it was necessary to analyze what types of credit programs were available, and how best to report their specific features so that the consumer would be provided with some meaningful reference when he found himself in the market for credit.

In examining the credit programs available to the consumer it became obvious that the various forms of credit devices were established to meet widely differing needs which had developed in the marketplace. One form of credit was needed to satisfy a demand for specific terms over a specific period of time for specific purchases or loans. Thus installment credit, by far the largest and most popular form of credit, was devised. More recently another type of credit program, answering to a set of different demands, has become popular. Revolving, or openend credit, has been developed and is used to meet circumstances that installment credit could not easily or efficiently handle.

Revolving credit has been designed to meet a more flexible type of transaction; one which permits the consumer the widest choice of options in the use of his credit. It is a system that works to the maximum mutual advantage of both the customer and the merchant. For

the merchant a market is provided which, if either cash, or a long-term credit contract were demanded, might otherwise not be available. For the consumer, merchandise, primarily small ticket soft goods, and now through bank credit cards even small loans can be arranged for, with the balance carried by the creditor for a short period of time with no penalty to the customer. In addition the consumer in handling his account has a wide range of flexibility including: (1) Whether he will pay the balance on the paper before the expiration of the "free ride" period, (2) and if he is willing to have an interest charge assessed, the period of time over which he will pay off the balance, (3) with certain minimum limitations the amount paid each period, and (4) the option of adding at any time and paying out or immediately amortizing new purchases.

The fact that revolving credit offers such a wide variety of options to the user abundantly pointed out that disclosure of its terms would have to be considered and treated in the light of its particular features.

To the merit of the committee, cognizance was taken of the very real fact that the marketplace had demanded and molded these various and differing devices for credit transactions. The committee discarded the notion which would have taken these widely differing credit programs and reconstructed their features in order to conform them to some arbitrary uniform standard bearing no relation to the realities of the marketplace. The theory of complete uniform disclosure for all credit transactions while hypothetically appealing does not stand up under the cold light of either experience or real circumstance. It assumes that while the realities of the market demand and produce diversity, the consumer is unable to distinguish amongst and between these real differences. It suggests the consumer must be coddled to the point of providing an artificially contrived womb in which diversity is reduced to the simplest common denominator, even to the point of sacrificing accuracy. For accurate information is sacrificed when you demand an arbitrary common denominator for all credit disclosure.

The bill reported by the committee takes into account the realities of the marketplace. It brings to the marketplace appropriate guidelines for reporting the features of credit transactions. It is accompanied by guidelines for advertising credit as an inducement to buy or borrow. And it encompasses a workable enforcement section. It also suggests a well placed faith in the ability of the American public to distinguish between different types of credit devices by requiring, to the fullest extent possible, disclosure of the specific features of these various programs.

While certainly not a cure-all for the great multitude of problems arising from \$95 billion in outstanding consumer credit the bill reported from the committee will substantially assist in facilitating the intelligent use of credit. However, in the last analysis the best safeguard for the consumer must be his own informed and judicious judgment. No amount of legislation of this type will help those who are incapable or uninterested in responsibly understanding and handling their own financial affairs.

RICHARD T. HANNA.

SUPPLEMENTAL VIEWS OF: REPRESENTATIVES WILLIAM B. WIDNALL, PAUL B. FINO, FLORENCE P. DWYER, ALBERT W. JOHNSON, J. WILLIAM STANTON, AND LAWRENCE G. WILLIAMS ON H.R. 11601

SUMMARY

From the beginning, the minority vigorously has supported consumer credit protection legislation. After the Senate on July 11, 1967 passed its truth in lending bill by a 92 to 0 vote, we indicated our support for early House action when eight minority members of this committee cosponsored H.R. 11602, a bill identical to that which passed the Senate. In spite of the fact that we applauded the action taken by the Senate, at the opening day of the subcommittee on Consumer Affairs hearings on H.R. 11601 we joined with the ranking minority member in her statement that we didn't have closed minds on the issue; that "our final product may represent a compromise between the two bills before us."

While we will endeavor further to improve the bill when it reaches the House for final consideration, on balance we are very pleased with the final committee product.

Indeed, with respect to the most controversial and comprehensive provisions of the bill (treatment of revolving or "open end" credit plans, advertising and enforcement) H.R. 11601 as reported is strikingly similar to a draft bill circulated to members of the full committee and revealed to high officials of the Johnson administration on November 13 by the ranking minority member of the Consumer Affairs Subcommittee, when it became apparent a new approach was needed to avoid a paralyzing deadlock similar to that which was encountered in subcommittee.

Any major legislation is the product of deliberation and compromise of differing viewpoints. Although we will set forth below some provisions with which we take issue, we voted to report the bill to the floor so that they could be resolved by the House and the bill signed into law at the earliest possible date. On the other hand, there are those who will seek needlessly to delay floor consideration because the committee did not respond in every instance to their individual wishes. It will be recalled that truth in lending bills have languished in congressional committees for 7 years while similar attitudes prevailed.

With this in mind, we think the President has a right to express his impatience over Congress' failure to enact this legislation. Bookshelves and entire storerooms in the Capitol groan under the burden of printed hearings and data relating to this issue. The public is growing impatient over promises for future congressional action. Controversy over conflicting facts relating to certain key provisions of this bill has delayed final enactment too long. In this regard, we

are reminded of the thoughts expressed by a famous essayist around the turn of the century:

I often wish that I could rid the world of the tyranny of facts. What are facts but compromises? A fact merely marks the point where we have agreed to let investigation cease.

There are major differences between H.R. 11601 and S. 5, as passed unanimously by the Senate. The committee also made several changes and deletions in the reported version of H.R. 11601, as compared to the bill of the same number introduced on July 20, 1967, by the chairman of the Consumer Affairs Subcommittee. Without going into technical detail and for the purpose of informing the House of the product of our deliberations, we think it would be appropriate to summarize the action taken by your committee.

1. Disclosure of open end credit generally is patterned after the provisions in the Senate-passed bill. H.R. 11601 contains a provision (sec. 203(d)(5)) not included in the Senate-passed bill that requires creditors to furnish to borrowers an estimate of the approximate annual percentage rate of the finance charge on open end credit transactions when the party making the request submits the information essential to such computations. This added protection for consumers was offered by the minority.

2. An exemption for annual rate disclosure of finance charges of \$10 or less is similar to the Senate-passed bill, with an additional safeguard provided in the bill reported by your committee to guard against so-called split ticket sales aimed at avoiding interest disclosure on credit extended for more expensive purchase.

3. A comprehensive administrative enforcement section practically identical to that proposed in the November 13 draft bill of the minority is included in the reported bill. The Senate-passed truth in lending bill contained no administrative enforcement provisions.

4. Comprehensive provisions governing credit advertising along the lines of those proposed by H.R. 11601 as originally introduced were included in the bill as reported.

5. The exemption provided by the Senate bill for transactions involving extensions of credit secured by first mortgages on real estate is not included in H.R. 11601.

6. The 18-percent national usury limit originally included in H.R. 11601 was removed. Testimony was received pointing to the danger that a ceiling of 18 percent would soon become a floor if Congress legalized such a maximum rate so far in excess of the great majority of rates currently being charged for the nearly \$100 billion in consumer credit outstanding.

7. Prohibition of garnishment of wages originally proposed by H.R. 11601 has been reduced in title II to a restriction of garnishment not to exceed 10 percent of the excess over \$30 per week except with regard to debts due under a court order for the support of any person or for debts due for State and Federal taxes. This was offered and generally supported by the minority as being a reasonable compromise of a very complex and controversial subject currently under extensive study by the executive branch. That which was approved by the committee is patterned after the New York State law.

8. Proposed standby consumer credit controls were removed from the bill in their entirety.

9. A Commission on Consumer Finance, not included in the Senate bill, is contained in H.R. 11601 as reported.

10. A rather comprehensive section proposing Federal regulation of credit for commodity futures trading included in H.R. 11601 as originally introduced was deleted in its entirety in the bill as reported.

11. A compromise was achieved on the effective date, from July 1, 1968, as originally proposed to the first day of the ninth calendar month which begins after the date of enactment, except with regard to the authorization to promulgate regulations which would become effective on the date of enactment. This period of gestation for promulgation and distribution, of regulations would match closely with the July 1, 1969, effective date provided in the Senate bill if the views of those who wish to delay final House consideration to the second session of the 90th Congress prevail.

12. Removal of the dollars-per-hundred option as contained in the Senate-passed bill, H.R. 11602 and H.R. 11601 as originally introduced.

One readily can see the extent to which the Committee on Banking and Currency reshaped H.R. 11601 as originally introduced. It should be further evident that the bill as reported is far stronger and more comprehensive than that which passed the Senate.

OPEN-END CREDIT

At the heart of the basic rationale for "truth in lending" is the concept of comparability—all credit charges should be stated in common terms. The bills in both the House and Senate have endorsed as the most meaningful common yardstick a statement of credit charges in terms of an effective annual rate, figured on the actuarial method.

Such a method produces reasonably accurate advance rates in almost all types of transactions and is thus ideally suited to the purpose. In the case of revolving or open-end credit plans, however, the creditor seldom possesses enough advance information to make the calculation of an effective rate. For that reason, revolving credit plans must be treated differently. The question of how to treat them has been the most controversial single issue throughout the entire history of the legislation.

Perhaps the best description of the difficulties associated with advance disclosure of the simple annual interest rate on open-end credit is provided for us by a staff analysis on page 236 of the printed hearings, submitted by Congresswoman Sullivan.

The service charge *yield* from the account is different from the service charge *rate* applied to the account because the rate is applied to the selected balances in accordance with certain stated contractual rules. The yield on the other hand will vary from account to account depending upon the billing policies of the retailers and decisions entirely within the powers of their customers.

Obviously, of far more meaning to the consumer is the dollars and cents charge or *yield* for credit, rather than some abstract rate of marginal relationship to credit costs.

Two proposed solutions to the problem have been presented. The first is the use of the "applied" rate, proposed by the original drafters

of H.R. 11601. It is unfortunate and misleading that many supporters of this approach have taken as their slogan, "Everyone should be treated alike." Disclosing an applied rate on revolving plans and an effective rate on installment plans hardly can be construed as "treating everyone alike."

The second solution to the revolving credit controversy is a straightforward acceptance of the fact that revolving credit charges do not lend themselves to any meaningful annual figure. (In the Senate testimony, evidence was shown where one account produced an effective rate of 15 percent one month and 2 percent the next, even though the terms of the account stayed the same.) Under this approach, the consumer is given a statement of all the terms of the account and all factors bearing on it, so that she can know as much in advance of the transaction as the seller or lender knows. But, she is not given any speculative annual figure.

Technical consideration aside, there are flows in both approaches from the consumers standpoint. The first approach, while appearing to be quite simple, actually sets up an "umbrella" for the high-cost operator. By emphasizing the applied rate over all other considerations, it permits him to set the terms of the account in such a way as to make sure that the rate is applied in the most expensive manner possible—for the consumer. The creditor who applies his rate in a way which *yields* more reasonable charges is forced to make expensive and cumbersome explanations. The temptation to forego these in favor of simply raising his own rates would be strong indeed. Thus, adoption of the first solution to the revolving credit problem obviously would not be in the best interests of the consumer. Because it would penalize those who charge far less than 18 percent interest by forcing them to emphasize a false and misleading 18 percent applied rate in their contracts and monthly statements, a "floor" or nationwide pattern of 18-percent charge on all retail credit transactions of this type would be encouraged. The additional cost of credit to the American consumer in an environment such as this would soon reach staggering proportions.

The second approach avoids these difficulties, but could create another. If *all* revolving credit plans were exempt from the requirement of stating any annual rate, either applied or effective, a sharp operator easily could turn an installment account into a revolving account. That way he could avoid telling the customers his effective rate, truly the only rate which is meaningful.

In dealing with this problem we attempted to determine under what circumstances the applied rate reasonably could be expected to approximate the resulting effective rate. It was quickly determined that the applied rate of, say 18 percent yearly ($1\frac{1}{2}$ percent per month), would not produce an effective rate of anything approaching 18 percent if the transaction was paid off completely in 1 or 2 months. The elusive "free time," of which much has been said, but for which no firm definition has ever been forthcoming, made it virtually certain that the effective rate on such a transaction would vary anywhere from 2 to 17 percent, with no assurance of predictability. On the other hand, a purchase or loan paid off over an extended period of time, say 3 years, would produce a fairly predictable rate, particularly if the payments were all equal.

From these two extremes, we sought to determine where the effective rate and the applied rate came into some predictable relationship. Following the compromise achieved by the Senate after several years deliberation, we finally accepted the formula of the Connecticut State statute, which states that if at least 60 percent of a debt under a revolving credit agreement is not required to be paid within 12 months, the account can be considered to be stable enough to warrant the disclosure of the applied rate. The Connecticut law further recognizes that if the seller or lender takes a security interest from the borrower, the transaction is most likely to be an installment-type agreement rather than a casual add-on purchase of a small item.

These two conditions, along with another primarily technical requirement, are identical to the definition of "open end" credit contained in the Senate bill. The House committee has come to the conclusion that they are wise and necessary if the consumer is to be given the most useful possible information. Their adoption by the Congress will insure that the consumer will be given an annual rate in every case where such a rate reasonably can be expected to be meaningful. Rejection of the seemingly simple "treat us all alike" panacea also will insure that the consumer will be spared the misleading use of annual rates in situations where such use could well be used to her detriment. Thus, the resultant "package" adopted by both the Senate and the House committee will produce the fairest possible type of disclosure from the consumer's standpoint.

Indeed, the disclosure requirements for open-end creditors are far more comprehensive than those applying to all other retail lenders, particularly those who extend credit on a straight installment basis. The approximately 95 percent of consumer credit not falling under the definition of open-end credit would not have to comply with the disclosure requirements under section 203(d)(3), wherein open-end credit plans must disclose eight separate items for each billing cycle (i.e., on each monthly bill) at the end of which there is an outstanding balance under such account.

In effect, open-end creditors, besides making extensive disclosure to the customer in contracts and agreements prior to purchase, must repeat the process in each and every monthly bill or statement of account. The typical installment lender, on the other hand, once having disclosed interest and other charges in the repayment contract or other evidence of indebtedness and having secured the customer's signature, need never concern himself again with regard to interest rate or any other form of credit disclosure on monthly statements. As a matter of fact, there are those who feel disclosure is of equal importance on monthly statements as it is on the prior-to-purchase contract insofar as educating the consumer on the cost of credit. Furthermore, there is evidence that suggests that some of the highest cost credit is that which will be excluded from disclosure requirements on monthly statements.

Nevertheless, this is not to say that the point at which the consumer should be informed of the cost of credit is not prior to consummating a retail transaction, while he or she still can refuse to buy or further shop around. We point this out, however, to emphasize the faulty reasoning of those who say the bill as reported exempts open-end credit from adequate disclosure as compared to the bulk of consumer credit currently outstanding in the United States. If any form of credit is being treated with special care, it is open-end credit.

We should also keep in proper perspective the amount of consumer debt that will fall within the statutory definition of open-end credit. According to the Federal Reserve Board, at the end of October there was \$96.1 billion total consumer credit outstanding in the United States. Of this amount, approximately \$5.3 billion represented revolving credit. More significantly, for the purposes of the present discussion, the Federal Reserve estimates that "much less than half," or somewhere between \$2 and \$3 billion would be the type of revolving credit within the statutory definition of H.R. 11601 permitting monthly rather than annual interest rate disclosure. In short, only 2 to 3 percent of total consumer credit outstanding in the United States has caused nearly all the controversy surrounding this legislation.

Nevertheless, there will be those who will claim that providing an exception to annual interest rate disclosure for even this small fraction of total consumer debt would encourage other type of installment or revolving credit to come within the definition permitting periodic interest rate disclosure. While we doubt that this will occur to any significant degree, if it does it will force creditors to decrease the period of repayment currently being enjoyed by borrowers, and to that extent decrease the total interest charges incurred. To the extent that the exclusion from annual interest rate disclosure encourages the users of revolving charge accounts to pay off their retail debts in less than 19 months (at least 60 percent paid off within 1 year) a tendency toward ever lengthening periods of repayment on consumer debt will be reversed. There are many economists, not to mention home economists, who would welcome such a trend. We would not lose sight of the fact that, for the most part, the highest cost retail credit is that which carries the "easiest" and longest periods of repayment.

Finally, the committee adopted an amendment offered by the ranking minority member of the Consumer Affairs Subcommittee aimed at providing the consumer with a written estimate of the approximate annual percentage rate on open-end credit transactions, when the party making the request specifies or identifies the repayment schedule involved and such other essential credit terms as may be prescribed by the Federal Reserve Board. We like to think of this amendment as representing good faith on the part of those offering open-end credit plans, in that throughout the hearings retail witnesses indicated that an annual rate disclosure could be made if the creditor had the necessary information upon which to base his calculations. We see no reason why the Federal Reserve Board regulations could not require that monthly billings include a statement, "Estimated annual percentage rate will be supplied upon request."

TEN-DOLLAR EXEMPTION

After devoting a great deal of time and attention to the problem of annual rate disclosure on credit extended resulting in finance charges of \$10 or less on installment or closed-end accounts and cash loans, we agreed with the approach unanimously approved by the Senate. We think the testimony of the witness for the Federal Reserve Board, the Honorable James L. Robertson, best sums up the reasons for having taken this action:

Presumably no one wants to press disclosure of credit costs to the point where borrowers are denied access to credit at any price. But to require disclosure of an annual percentage rate in small closed-end credit transactions might have just that result. For credit of this kind, a high effective rate may be justified to compensate the creditor for the relatively high out-of-pocket costs of handling the transaction. However, he may be understandably reluctant to disclose a high annual percentage rate, and might decide instead simply to discontinue this type of credit. S. 5 would exempt transactions involving a finance charge of less than \$10 from the requirement of disclosure of an annual percentage rate, although other disclosure requirements would still apply. We believe that some such exemption is needed.

Your committee guarded against abuse of this exemption by prohibiting creditors from dividing consumer credit sales into two or more sales to avoid the disclosure of an annual percentage rate. With the adoption of this added safeguard not included in the Senate bill, the exemption from annual rate disclosure will be restricted to relatively low cost purchases and small loans.

CREDIT ADVERTISING

We were glad to see provisions covering credit advertising included in the bill, and are pleased to report that the committee adopted these requirements unanimously. No credit advertising provisions were contained in the Senate-passed measure.

It is our considered judgment that establishment of criteria covering credit advertising may prove to be the most important aspect of the proposed legislation. The advertising sections of H.R. 11601 are aimed at providing full disclosure of credit terms if specific credit terms are included in the advertisement. We refer the reader of these views to earlier pages in this report for a detailed description of the advertising provisions.

In our opinion, the practical effect will be further to emphasize product, price, and service in retail advertising, while discouraging those advertisements which contain little more than attractive and often misleading credit terms. Some of the highest cost retail credit, more often than not directed to low-income persons, goes hand in hand with retail sales made artificially attractive by such advertising. In many instances, this form of advertising completely ignores either the total price of the product or its manufacturer. Often the retailer offering by far the lowest price, the best product and the most reasonable credit terms is placed at a distinct competitive disadvantage to those who advertise misleading, if not fraudulent credit terms.

For the most part, reputable retailers will not be greatly affected by the credit advertising sections of this bill because currently it is their practice to devote little if any attention to advertising specific credit terms available.

We are not troubled by across-the-board annual rate disclosure with regard to retail credit advertising being inconsistent with a periodic rate disclosure for open end credit on contracts and monthly billings. By its very nature, an advertisement addresses itself to a broad segment of a marketing area, while a contract or a monthly bill

represents a legal or accounting relationship between a creditor and an obligor. The uncertainties of repayment patterns by individuals and families which argue so forcefully for periodic rate disclosure on open end accounts lose at least some validity in advertisements aimed at a broad segment of population. Furthermore, for the most part, those who offer open end charge accounts seldom stress or even mention specific credit terms in their advertisements because their competitive advantage is in product, price, and service.

With regard to personal loans and other extensions of credit where advertising of specific credit terms may be essential disclosure requirements such as the number, amount, and due dates or period of payments scheduled to repay the indebtedness as well as the finance charge expressed as an annual rate will insure a competitive advantage to those who advertise the lowest rates.

ADMINISTRATIVE ENFORCEMENT

We are in complete accord with section 207 dealing with administrative enforcement. The provisions of this section afford the kind of protection essential to any consumer protection legislation. At the same time, strict enforcement will protect the honest creditors from those who may choose to violate the proposed law. Of equal importance is the fact that care has been taken to maintain existing Federal areas of responsibility in that the bank regulatory agencies will enforce the provisions of this bill with regard to institutions presently under their supervision, while the Federal Trade Commission will be the agent of enforcement with regard to retail credit as well as other Federal agencies in accordance with their traditional administrative responsibilities.

THE DOLLARS-PER-HUNDRED OPTION

The Senate-passed truth in lending bill contains a provision in section 4(i) which gives creditors the option of disclosing finance charges in terms of a dollars-per-hundred per year rate on average unpaid balances in installment credit transactions and as a dollars-per-hundred per period rate in revolving credit transactions until January 1, 1972. After that date, all rates required to be disclosed under S. 5 shall be expressed as percentage rates. H.R. 11601, as reported by your committee, does not contain this optional disclosure provision.

The purpose of the dollars-per-hundred option in the Senate bill is to afford a temporary partial solution to a problem which conceivably could give rise to considerable litigation in a number of States after the Federal disclosure law is enacted and takes effect. For reasons that will be explained in greater detail, the failure to include this option in the Federal law may force creditors to disclose finance or interest charges which exceed the maximum interest ceilings permitted under State usury laws.

A dollars-per-hundred option would allow State legislatures adequate leadtime in which to amend State disclosure laws which conflict with the method of disclosure prescribed by the proposed Federal act. It must be remembered that the Federal act would affect credit transactions which are now governed by an estimated 450 statutes in 51 jurisdictions. Importantly, this option would also provide a reason-

able time for constitutional amendments in several States where this would be necessary in order to avoid conflict between the method of disclosure prescribed by the Federal act and the interest rate ceiling prescribed by the State constitution.

Usury statutes in 51 jurisdictions establish maximum contract interest rates ranging from 6 to 21 percent annual interest. Twenty-nine States have maximum annual interest ceilings ranging from 6 to 8 percent. Five States have no contract usury ceiling whatsoever.

Over the years, legislatures in the majority of States have enacted statutes affecting various types of credit transactions which constitute special exceptions to the usury ceilings in such States. These statutes permit creditors to compute or disclose interest or finance charges in a variety of forms which avoid direct conflict with maximum annual percentage ceilings in the State usury statutes. Finance charges or interest under these special statutes may be computed according to a variety of methods, for example, dollars-per-hundred per annum add-on or discount, dollars-per-hundred per period add-on or discount, percent per annum add-on or discount, or percent per month add-on or discount. Some statutes prescribe methods of finance charge computation without a disclosure requirement per se, whereas others prescribe both the method of computation and the method of disclosure.

In several jurisdictions, State constitutions establish specific maximum interest rate ceilings and provide that State legislatures may not enact special legislation on this subject. Interest ceilings in these States can be legally changed only by amending the State constitution, which is a difficult and time-consuming process involving political uncertainties.

The proposed Federal law requires that finance charges be expressed as annual percentage rates under the actuarial method (U.S. rule). This method involves a formula for computing interest or finance charges which does not permit such charges to be calculated on the basis of add-on or discount or dollars-per-hundred methods currently prescribed by many State laws as methods of permitting finance charges in excess of the annual percentage rate ceiling prescribed by the State usury statutes.

Thus, the annual or monthly percentage rate disclosure prescribed by the Federal act would preempt or supersede the currently permissible methods of interest or finance charge computation and disclosure under State laws which differ considerably from the proposed Federal method. Significantly, most contract forms in credit transactions governed by the Federal act would have to be amended in order to comply with the required percentage rate disclosure. Because the method of disclosure prescribed by the special State statutes will no longer be effective, creditors in a number of States will be required to express finance charges as annual percentage rates which exceed the annual percentage rate ceilings permitted under State usury statutes. Legitimate creditors may stop extending credit in transactions in which, as a result of the Federal law, the interest charges appear to violate the usury statutes.

It is readily apparent that this situation could well give rise to litigation for violation of State usury statutes. This could cause serious dislocations in the credit industry for the reason that the penalty for usury or excessive interest charges under the laws of

many States is the voidance of contracts requiring creditors to forfeit both principal and interest.

H.R. 11601 and S. 5 both contain language which endeavors to establish the fact that these bills are not "interest statutes." The committee reports also state that the annual percentage rate required to be disclosed under these bills does not constitute an interest rate within the meaning of the State usury statutes. On the other hand, this language in the bills and these statements in the committee reports are admittedly not binding on the State courts. The question of usury or the charging of excessive interest clearly is within the exclusive determination of the courts in the States in which such actions may be brought.

The potential legal problems that may well be created by the Federal act, and the resulting dislocations in the credit industry, have caused grave concern among lawyers who have considered this question. A dollars-per-hundred option would permit creditors in many cases to compute and disclose finance charges for a reasonable period of time according to methods prescribed by existing State laws. This is essential in order to permit adequate opportunity for State legislatures to amend affected State laws and for several States to amend their constitutional provisions where this is necessary. The absence of the dollars-per-hundred option would make an otherwise complex legal problem exceedingly more difficult and would raise the specter of increased litigation.

Of more importance, while the legal problem was being solved, consumers very well might be denied credit on terms generally recognized as being reasonable for consumer financing.

The dollars-per-hundred option was contained in the bill originally introduced by the chairman of the Subcommittee on Consumer Affairs as well as in the bill cosponsored by members of the minority. Because it is a reasonable solution to a temporary problem, we will endeavor to have this language restored during floor consideration.

COMMISSION ON CONSUMER FINANCE

We see no justification for creation of a Commission on Consumer Finance as proposed in the bill as reported. In recent years we have witnessed a very rapid growth in these types of ad hoc bodies in connection with various issues requiring continuing study. Undoubtedly there will be a need for such continued study of consumer credit protection. We would like to see as much as possible of this occur in the Congress.

While six of the nine members of the proposed Commission would be Members of Congress (three Senators and three Representatives), commissions drawn along these lines more often than not merely represent the views of executive department staff in whatever administration happens to be in power. We happen to think that consumer credit protection should be a continuing interest on the part of the committees of Congress with proper jurisdiction. We further believe that the oversight and investigative functions of Congress have been greatly eroded by the ever-increasing, though sometimes subtly disguised delegation of these functions to the executive branch.

With regard to both the promulgation of regulations as well as the administrative enforcement of H.R. 11601, the executive branch

properly will play the dominant role. Moreover, section 204(e) establishes an advisory committee to advise and consult with the Federal Reserve Board in the exercise of its functions with respect to this proposed legislation. In appointing the members of this committee, the Federal Reserve Board shall "seek to achieve a fair representation of the interests of sellers of merchandise on credit, lenders, and the public." It seems to us that the proposed Commission on Consumer Finance duplicates needlessly the functions of the advisory committee proposed by section 204(e).

Even with the passage of the proposed legislation, there will remain many unanswered questions relating to consumer credit protection. We think Congress should reassert its proper role in further investigating whatever might require legislative revision or solution. Unlike practically every other major legislative proposal of the past decade, truth-in-lending *was* and *is* the product of congressional and not executive initiative. By not relying on reports and recommendations sent to it by a commission oriented to the executive branch, Congress can maintain its initiative in at least this area.

WILLIAM B. WIDNALL.

PAUL A. FINO.

FLORENCE P. DWYER.

ALBERT W. JOHNSON.

J. WILLIAM STANTON.

LAWRENCE G. WILLIAMS.

SUPPLEMENTAL VIEWS OF CONGRESSMAN SEYMOUR HALPERN ON H.R. 11601

While my views on this legislation are reflected in the committee report and in the supplemental views with which I have concurred, I would nonetheless like to point to one aspect of the bill which I feel resolves a major issue.

The final committee version of H.R. 11601 provides for restrictions on the use of garnishment. The Senate truth-in-lending bill has no provisions dealing with garnishment; the original House bill called for outright prohibition of the practice.

Our committee's hearings clearly brought out the need for some basic regulation of this collection instrument, which often causes great economic hardship on countless households in our Nation. This hardship is largely due to ignorance of credit charges, which will greatly be alleviated by our overall legislation.

The problem is sufficiently severe, however, that something more had to be done to protect the consumer who faced potential economic disaster because of excessive garnishment of his wages, or loss of his job resulting from objections by his employer to the assumption of the administrative difficulties attendant to the handling of garnishment procedures.

At the same time, it was clear that the creditor must have some instrument of last resort for collecting legitimate debts, when the debtor is gainfully employed.

A review of New York State's garnishment law bears out the finding that it has had excellent results, and has been strongly backed by representatives of both consumer groups and credit institutions. Using this law as the basis, I offered an amendment which, I am pleased to say, was unanimously adopted by the committee.

The amendment provides for a complete exemption from garnishment of the first \$30 of weekly income; of the remainder of the income, not more than 10 percent can be garnisheed. The only debts to which the above prohibitions do not pertain are those due for family support or for State or Federal taxes. The amendment further prohibits an employer from firing an employee on the occasion of a single garnishment on the latter's wages. Enforcement of this section of the bill will be the responsibility of the Labor Department.

It is my hope and expectation that, by means of these provisions, consumers will be protected from the pyramiding of economic disasters that can result from the use of garnishment, while creditors will justly be able to collect legitimate debts.

SEYMOUR HALPERN.

SUPPLEMENTAL VIEWS OF CONGRESSMAN SHERMAN P. LLOYD

I support the committee approved version of H.R. 11601. Two facts stand out: (1) the growth of consumer credit since 1945 has been at a rate $4\frac{1}{2}$ times greater than the growth rate of our economy as a whole and now totals nearly \$96 billion, (2) the interest charged on this consumer credit is approximately \$13 billion annually, nearly as large as the interest on the national debt.

Consequently, the clear disclosure of finance charges becomes appropriate. Yet I retain a vestigial resentment toward much of the basic thrust supporting the legislation because of the constant insinuation that the American businessman is somehow not to be trusted. For example, the legislation was originally supported, and is still referred to, as a "truth-in-lending" bill, indicating it is aimed at liars. As it emerges from committee, its preamble asserts its purpose is to "safeguard the consumer," indicating a legislative safeguard is necessary to prevent willful cheating. This represents a blanket indictment of the good faith of American businessmen. Title II relating to prohibition against garnishment of wages refers to "the predatory extensions of credit." In actual practice this title may materially protect the professional deadbeat and increase the cost of credit for the legitimate creditor and honest debtor.

I feel that disclosure on a monthly basis rather than on an annual basis of finance charges on revolving credit sales is completely justified as confirmed by a unanimous vote in the other body and by a majority vote of our committee. These additional views are based on my belief there is also much to commend the judgment expressed by Mr. Wylie that disclosure of finance charges on monthly installment sales and certain other lenders and sellers should also be based on a monthly rather than annual basis as required by the committee bill on grounds both that (1) the consumer is still thereby accurately informed, and (2) the requirement of finance charge disclosure on an annual basis upon one merchant offering open-end installment credit might put him at an unjustified competitive disadvantage with a competitor making disclosure on a monthly basis.

As legislation designed to bring about understandable disclosure of finance charges, the bill has merit. Certainly the merchant who extends credit either as a convenience to his customer, or as a money lender, cannot object to proper disclosure of finance charges. If, however, as a committee member suggested during a hearing, the bill is designed to protect "the uneducated buyer," it would be unwise to go too far and require a statement of annual interest when the account is cleared up in less than a year and only monthly interest is charged. The revolving credit disclosure on a monthly rather than annual basis, therefore, seems not unreasonable, but clearly within the spirit of a public policy requiring accurate disclosure of finance charges.

In order to prevent competitive disadvantage to follow adoption of this legislation, I believe it would be reasonable, as Mr. Wylie recommends, to add to the exemptions to include other open-end credit transactions as defined, from the annual finance charge disclosure requirement and require instead the disclosure of the finance charge on a monthly basis.

If further education is needed for "the uneducated consumer" I should not consider it to be the merchant's responsibility to perform the educational function. To honestly and properly disclose is sufficient in my view. The job of "educating" can be done in the schools, in consumer organizations, labor organizations, and at other points where consumer education is available. Community action centers would be particularly convenient educational facilities for many, and while it may appear old fashioned, respect for and knowledge in the handling of money and extension of credit may even be learned in the home. There are few, if any, sane human beings who cannot be responsible parents, unless the opportunity is forfeited because of an overpaternalistic government which assumes a mother-child posture toward its citizens.

SHERMAN P. LLOYD.

MINORITY VIEWS OF CONGRESSMEN WILLIAM E. BROCK, DEL CLAWSON, CHESTER L. MIZE, BENJAMIN B. BLACKBURN, GARRY E. BROWN, AND CHALMERS P. WYLIE

H.R. 11601 as reported by the House Banking and Currency Committee falls far short of achieving its declared legislative objectives; i.e., (1) to strengthen competition among creditors and (2) to assure a meaningful disclosure of credit terms so as to promote the informed use of credit.

On the other hand, H.R. 11601 as originally introduced requiring disclosure of all credit costs on an annual rate basis when applied to revolving credit would result in an inaccurate disclosure of credit costs. Revolving credit is offered by many of the larger department stores, usually at a service charge of $1\frac{1}{2}$ percent per month on the unpaid balance. On most such accounts, if a customer pays his bill within 30 days no credit cost is assessed. In some cases, the days of free credit are extended depending on the billing date. In other instances, credit charges are applied to an unpaid balance which may be reduced by applying payments made during the month to first purchases. The true annual rate, then, will depend upon the timing of purchases and payments. The only true and meaningful method of disclosing the rate on revolving credit accounts in advance is in terms of a percentage per month. Recognizing this difference in types of credit, the bill reported by the committee adopts a dual form of disclosure which would require the majority of lenders and retail sellers to disclose credit costs in terms of annual percentage rates, whereas other creditors would be permitted to disclose finance charges in terms of what might otherwise appear to be a lower monthly percentage rate.

A law which would require annual rate disclosure in some transactions and monthly rate disclosure in others clearly would not provide a meaningful disclosure of credit terms and would not promote the informed use of credit.

The bill would require lenders, retail sellers, and small businessmen who extend equal monthly payment installment credit to disclose their finance charges on the basis of annual percentage rates. It would also require the majority of lenders and sellers who at present extend installment open end revolving credit to the public to disclose their finance charges in terms of annual percentage rates. On the other hand, it would exempt from the annual rate requirement certain revolving credit extenders.

Section 202(h) contains a provision relating to "installment open end credit plans" which apparently represents a compromise between the annual percentage rate advocates and the monthly percentage rate advocates. It is this provision that creates a double standard of rate disclosure. This provision establishes two important standards for exempting creditors from the annual percentage rate requirement

in revolving credit transactions. In effect, the bill says that creditors who offer revolving credit plans which (1) do not provide for the creation of a security interest in property or (2) provide for customer repayment schedules in which at least 60 percent of the unpaid balance in the account is required to be paid out within 12 months are exempted from the annual percentage rate requirement and may instead make disclosure on the basis of monthly percentage rates. All extenders of revolving credit who do not meet these tests are required to annualize their credit costs at the relatively higher annual percentage rate figure.

The provision in section 202(h) is clearly arbitrary and at odds with the weight of industry practice in the area of revolving credit. Virtually all revolving credit plans offered by banks, and many offered by retailers, provide for payment terms which are more liberal than the 60-percent, 12-month payout provision, and in many cases these plans allow for the retention of a security interest. The result is that the great majority of existing revolving credit plans would not qualify for the exemption from the annual rate requirement while a few such plans would qualify. The requirement that these "non-qualifying" plans would be subject to the annual rate requirement is completely contrary to historic credit industry practice whereby practically all revolving credit charges have traditionally been calculated and disclosed in terms of monthly percentage rates. The bill reported by the committee and S. 5 would in large part overturn established accounting and billing procedures with dubious justification.

We are deeply concerned about the plight of the merchant or small businessman who does not offer revolving credit to his customers but who instead does business on the basis of traditional equal monthly payment *installment* credit. Under these bills, the creditor who extends installment credit is required to make disclosure on an annual percentage rate basis. It is clear to us that he is therefore discriminated against and is at a serious competitive disadvantage with the creditor who, because he has a higher volume of business and more sophisticated accounting practices, may offer revolving credit at what appears to be lower *monthly* percentage rates. There is little doubt that the average consumer will construe a monthly percentage rate of finance charge as being lower and more attractive than an annual percentage rate of finance charge.

Many businesses, including banks, furniture dealers, and other small retailers who are not able to offer revolving credit terms on such items as home repairs, furniture, television sets, home appliances, and smaller items, but who typically make loans or sales under traditional installment credit arrangements, would be subject to discrimination in that they would be required to make annual rate disclosure while some of their larger competitors who extend revolving credit would be able to quote monthly rates.

It is abundantly clear to us that the primary thrust of a Federal credit disclosure law should be to establish a *uniform standard of credit disclosure which will provide consumers with a single, unvarying test for comparing credit costs which will be uniformly and equitably applied to all creditors and all types of consumer credit*. The purpose of this measure is to promote the informed use of consumer credit. How can this be achieved by the enactment of a Federal law which estab-

lishes a double standard of disclosure? Clearly, consumers are going to be confused by monthly percentage rate quotations in some cases and annual percentage rate quotations in other cases. The historic thrust of this legislation has been to avoid just exactly this result.

There are very persuasive reasons for recommending the calculation and disclosure of credit charges on a monthly basis. Banks and retail sellers historically have calculated and disclosed revolving credit finance charges on a monthly basis. Credit unions historically have employed the monthly charge for rate calculation and disclosure. The consumer is billed for and makes payments for purchases and services on a monthly basis. The average American budgets his personal economy on a monthly basis. What is more logical than to require the disclosure of all consumer credit charges in a Federal statute to be on a uniform monthly basis?

Banks which make installment loans and retail sellers who make installment credit sales can easily calculate and disclose credit charges on a monthly rate basis without distortions or inaccuracies. It has been argued that annual rate disclosure in revolving credit creates distortions and inaccuracies because of interest-free grace periods ranging from 30 to 60 days and because consumers frequently pay off revolving charge obligations in 1, 2, or 3 months. These problems would be largely resolved by our recommendation for uniform monthly disclosure.

It is for these reasons that an amendment to H.R. 11601 should be adopted to delete the double disclosure standard and to substitute in lieu thereof a uniform *monthly* disclosure requirement which will apply equitably and fairly to all creditors and would provide consumers with a single unvarying test for measuring and comparing such costs.

CHALMERS P. WYLIE.
BILL BROCK.
DEL CLAWSON.
CHESTER L. MIZE.
BEN B. BLACKBURN.
GARRY BROWN.



Union Calendar No. 403

90TH CONGRESS
1ST SESSION

H. R. 11601

[Report No. 1040]

IN THE HOUSE OF REPRESENTATIVES

JULY 20, 1967

Mrs. SULLIVAN (for herself, Mr. GONZALEZ, Mr. MINISH, Mr. ANNUNZIO, Mr. BINGHAM, and Mr. HALPERN) introduced the following bill; which was referred to the Committee on Banking and Currency

DECEMBER 13, 1967

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need

for further regulation of the consumer finance industry; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. This Act may be cited as the “Consumer
4 Credit Protection Act”.

5 TITLE I—CREDIT TRANSACTIONS

6 SEC. 101. (a) The Federal Reserve Act is amended
7 by striking the first ~~section~~ *sentence* and inserting:

8 “TITLE I—THE FEDERAL RESERVE SYSTEM

9 “SECTION 1. SHORT TITLE AND DEFINITIONS

10 “~~SECTION 1.~~ This title may be cited as the Federal
11 Reserve Act.”

12 (b) Title I of the Federal Reserve Act is amended by
13 changing “Act”, wherever that word is used with reference
14 to title I of the Federal Reserve Act (as so designated by
15 subsection (a) of this section) to read “title”.

16 (c) The Federal Reserve Act is amended by adding
17 at the end:

18 “TITLE II—CREDIT TRANSACTIONS

19 “DECLARATION OF PURPOSE

20 “SEC. 201. ~~(a)~~ The Congress finds that economic
21 stabilization would be enhanced and that competition among
22 the various financial institutions and other firms engaged in

1 the extension of consumer credit would be strengthened by
2 the informed use of credit. Significant segments of the popu-
3 lation are misled by the manner in which the terms and con-
4 ditions of credit are offered and contracted for, as well as by
5 advertising in or affecting commerce, which fail adequately
6 to disclose the credit terms offered to buyers in making pur-
7 chases, or obtaining loans, payable in installments or offered
8 under open end credit plans. Such failure of adequate dis-
9 closure tends to increase the uninformed and untimely use of
10 credit by the public, thereby adversely affecting economic
11 stabilization, increasing inflationary pressures, and decreas-
12 ing the stability of the value of our currency. The informed
13 use of credit results from an awareness of the cost thereof by
14 consumers. It is the purpose of this title to assure a mean-
15 ingful disclosure of credit terms so that the consumer will
16 be able to compare more readily the various credit terms
17 available to him and avoid the uninformed use of credit.

18 “(b) Congress further finds that the stabilization of
19 consumer prices would be enhanced by the regulation of
20 speculation in, and the excessive use of credit for, the crea-
21 tion, carrying or trading in commodity futures contracts, as
22 well as the establishment of standby authority for the emer-
23 gency control of consumer credit.

“DEFINITIONS

“SEC. 202. For the purposes of this title

“(a) ‘Board’ means the Board of Governors of the Federal Reserve System.

5 “(b) ‘credit’ means the right granted by a creditor to
6 a person other than an organization to defer payment of
7 debt or to incur debt and defer its payment, where the debt
8 is contracted by the obligor primarily for personal, family,
9 household, or agricultural purposes. The term does not in-
10 clude any contract in the form of a bailment or lease except
11 to the extent specifically included within the term ‘consumer
12 credit sale’.

13 “(c) ‘consumer credit sale’ means a transaction in which
14 credit is granted by a seller in connection with the sale of
15 goods or services, if such seller regularly engages in credit
16 transactions as a seller, and such goods or services are pur-
17 chased primarily for a personal, family, household, or agri-
18 cultural purpose. The term does not include any contract in
19 the form of a bailment or lease unless the obligor contracts to
20 pay as compensation for use a sum substantially equivalent to
21 or in excess of the value of the goods or services involved,
22 and unless it is agreed that the obligor is bound to become, or
23 for no other or a merely nominal consideration has the op-
24 tion of becoming, the owner of the goods upon full compli-
25 ance with the provisions of the contract.

1 “(d) ‘finance charge’ means the sum of all the *manda-*
2 *tory* charges imposed directly or indirectly by a creditor,
3 and payable directly or indirectly by an obligor, as an inci-
4 dent to the extension of credit, including loan fees, service
5 and carrying charges, discounts, interest, time price differ-
6 entials, investigators’ fees, costs of any guarantee or insur-
7 ance protecting the creditor against the obligor’s default or
8 other credit loss, and any amount payable under a point,
9 discount, or other system of additional charges, except that

10 “(1) if itemized and disclosed under section 203,
11 the term ‘finance charge’ does not include amounts col-
12 lected by a creditor, or included in the credit, for

13 “(A) fees and charges prescribed by law which
14 actually are or will be paid to public officials for
15 determining the existence of or for perfecting or
16 releasing or satisfying any security related to a credit
17 transaction, *or the premium, not in excess of those*
18 *fees and charges, payable for any insurance in*
19 *lieu of perfecting the security; or*

20 “(B) taxes; and

21 “(2) where credit is secured in whole or in part by
22 an interest in real property, the term does not include,
23 in addition to the duly itemized and disclosed costs
24 referred to in clauses (A) and (B) of paragraph (1),
25 the costs of

1 “(A) title examination, title insurance, or cor-
2 responding procedures;

3 “(B) preparation of the deed, settlement state-
4 ment, or other documents;

5 “(C) escrows for future payments of taxes and
6 insurance;

7 “(D) notarizing the deed and other documents;

8 “(E) appraisal fees; or

9 “(F) credit reports.

10 “(e) ‘creditor’ means any individual, or any partner-
11 ship, corporation, association, cooperative, or other entity,
12 including the United States or any agency or instrumentality
13 thereof, or any other government or political subdivision or
14 agency or instrumentality thereof, if such individual or en-
15 tity regularly engages in credit transactions, whether in con-
16 nection with the sale of goods and services or otherwise, and
17 extends credit for which the payment of a finance charge is
18 required.

19 “(f) (1) ‘annual percentage rate’ means, for the pur-
20 poses of sections ~~203(b)~~ and ~~203(e)~~, *203(b)*, *203(c)*, and
21 *203(d)*, the nominal annual rate determined by the actuarial
22 method (United States rule). ~~For purposes of this calcula-~~
23 ~~tion it may be assumed that:~~

24 ~~“(A) The total time for repayment of the total~~

1 amount to be financed is the time from the date of the
2 transaction to the date of the final scheduled payment.

3 “(B) All payments are equal if every scheduled
4 payment in the series of payments is equal except one
5 which may not be more than double any other scheduled
6 payment in the series.

7 “(C) All payments are scheduled at equal inter-
8 vals, if all payments are so scheduled except the first
9 payment which may be scheduled to be paid before, on,
10 or after one period from the date of the transaction. A
11 period of time equal to one-half or more of a payment
12 period may be considered one full period.

13 “(2) The Board may prescribe methods other than the
14 actuarial method, if the Board determines that the use of
15 such other methods will materially simplify computation
16 while retaining reasonable accuracy as compared with the
17 rate determined under the actuarial method.

18 “(3) For the purposes of section 203 (d), the term
19 ‘equivalent annual percentage rate’ means the rate or rates
20 computed by multiplying the rate or rates used to compute
21 the finance charge for any period by the number of periods
22 in a year.

23 “(4) Where a creditor imposes the same finance charge

1 for all balances within a specified range, the annual percent-
 2 age rate or equivalent annual percentage rate shall be com-
 3 puted on the median balance within the range for the pur-
 4 poses of sections 203 (b) , 203 (c) , and 203 (d) .

5 “(g) ‘open end credit plan’ means a plan prescribing
 6 the terms of credit transactions which may be made there-
 7 under from time to time and under the terms of which a
 8 finance charge may be computed on the outstanding unpaid
 9 balance from time to time thereunder.

10 “(h) ‘installment open end credit plan’ means an open
 11 end credit plan which has one or more of the following
 12 characteristics: (1) creates a security interest in, or provides
 13 for a lien on, or retention of title to, any property (whether
 14 real or personal, tangible or intangible), (2) provides for a
 15 repayment schedule pursuant to which less than 60 per
 16 centum of the unpaid balance at any time outstanding under
 17 the plan is required to be paid within twelve months, or (3)
 18 provides that amounts in excess of required payments under
 19 the repayment schedule are applied to future payments in the
 20 order of their respective due dates.

21 “(h i) ‘organization’ means a corporation, government
 22 or governmental subdivision or agency, business or other
 23 trust, estate, partnership, or association.

24 “(i) ‘advertisement in interstate commerce or affecting
 25 interstate commerce’ includes, but is not limited to,

1 ~~“(1) the advertising of goods, services, loans, or~~
 2 open end credit plans through any means or instru-
 3 mentality of interstate commerce; and

4 ~~“(2) the advertising~~

5 ~~“(A) of any goods which are made in whole~~
 6 or in part of any item which has been shipped and
 7 received in interstate commerce;

8 ~~“(B) of any service which is to be performed~~
 9 using any item which was shipped and received in
 10 interstate commerce; or

11 ~~“(C) of any loan or of any extension of credit~~
 12 under an open end credit plan which is to be made
 13 in whole or in part in interstate commerce.

14 “(j) ‘State’ means any State, the Commonwealth of
 15 Puerto Rico, or the District of Columbia.

16 “DISCLOSURE OF FINANCE CHARGES; ADVERTISING

17 “SEC. 203. (a) Each creditor shall furnish to each per-
 18 son to whom credit is extended and upon whom a finance
 19 charge is or may be imposed the information required by
 20 this section, in accordance with regulations prescribed by the
 21 Board.

22 “(b) This subsection applies to consumer credit sales
 23 other than sales under an open end credit plan. For each
 24 such sale the creditor shall disclose, to the extent applicable,

1 “(1) the cash price of the property or service pur-
2 chased;

3 “(2) the sum of any amounts credited as down-
4 payment (including any trade-in) ;

5 “(3) the difference between the amounts set forth
6 in paragraphs (1) and (2) ;

7 “(4) all other charges, individually itemized, which
8 are included in the amount of the credit extended but
9 which are not part of the finance charge ;

10 “(5) the total amount to be financed (the sum of
11 the amounts disclosed under (3) and (4) above) ;

12 “(6) the amount of the finance charge (such charge,
13 or a portion of such charge, may be designated as a
14 time-price differential or as a similar term to the extent
15 applicable) ;

16 “(7) the finance charge expressed as an annual
17 percentage rate, *unless the finance charge does not exceed*
18 *\$10, and in ascertaining the applicability of this para-*
19 *graph, a creditor may not divide a consumer credit sale*
20 *into two or more sales to avoid the disclosure of an an-*
21 *nual percentage rate pursuant to this paragraph;*

22 “(8) the number, amount, and due dates or periods
23 of payments scheduled to repay the indebtedness; and

24 “(9) the default, delinquency, or similar charges
25 payable in the event of late payments.

1 Except as otherwise hereinafter provided, the disclosure re-
2 quired by this subsection shall be made before the credit is
3 extended. Compliance may be attained by disclosing such in-
4 formation in the contract or other evidence of indebtedness to
5 be signed by the obligor. Where a seller receives a purchase
6 order by mail or telephone without personal solicitation by a
7 representative of the seller and the cash price and deferred
8 payment price and the terms of financing, including the an-
9 nual percentage rate, are set forth in the seller's catalog or
10 other printed material distributed to the public, the disclosure
11 shall be made on or before the date the first payment is due.

12 “(c) This subsection applies to extensions of credit
13 other than consumer credit sales or transactions under an
14 open end credit plan. Any creditor making a loan or other-
15 wise extending credit under this subsection shall disclose, to
16 the extent applicable,

17 “(1) the amount of credit of which the obligor will
18 have the actual use, or which is or will be paid to him or
19 for his account or to another person on his behalf;

20 “(2) all charges, individually itemized, which are
21 included in the amount of the credit extended but which
22 are not part of the finance charge;

23 “(3) the total amount to be financed (the sum of
24 items (1) and (2) above);

25 “(4) the amount of the finance charge;

1 “(5) the finance charge expressed as an annual per-
2 centage rate, *unless the finance charge does not exceed*
3 *\$10, and in ascertaining the applicability of this para-*
4 *graph, a creditor may not divide an extension of credit*
5 *into two or more transactions to avoid the disclosure of an*
6 *annual percentage rate pursuant to this paragraph;*

7 “(6) the number, amount, and due dates or periods
8 of payments scheduled to repay the indebtedness; and

9 “(7) the default, delinquency, or similar charges
10 payable in the event of late payments.

11 Except as otherwise hereinafter provided, the disclosure re-
12 quired by this subsection shall be made before the credit is
13 extended. Compliance may be attained by disclosing such in-
14 formation in the note or other evidence of indebtedness to be
15 signed by the obligor. Where a creditor receives a request for
16 an extension of credit by mail or telephone without personal
17 solicitation by a representative of the creditor and the terms
18 of financing, including the annual percentage rate for repre-
19 sentative amounts of credit, are set forth in the creditor's
20 printed material distributed to the public, or in the contract
21 of loan or other printed material delivered to the obligor,
22 the disclosure shall be made on or before the date the first
23 payment is due.

24 “(d) (1) This subsection applies to open end credit
25 plans.

1 “(2) Before opening any account under an open end
2 credit plan, the creditor shall, to the extent applicable, dis-
3 close to the person to whom credit is to be extended—

4 “(A) the conditions under which a finance charge
5 may be imposed, including the time period, if any, within
6 which any credit extended may be repaid without incur-
7 ring a finance charge;

8 “(B) the method of determining the balance upon
9 which a finance charge will be imposed;

10 “(C) the method of determining the amount of the
11 finance charge (including any minimum or fixed amount
12 imposed as a finance charge), the ~~annual~~ percentage
13 rate *per period* of the finance charge to be imposed, if
14 any, and, in the case of an installment open end credit
15 plan, the equivalent annual percentage rate; and

16 “(D) the conditions under which any other charges
17 may be imposed, and the method by which they will be
18 determined.

19 “(3) For each billing cycle at the end of which there is
20 an outstanding balance under any such account, the creditor
21 shall disclose, to the extent applicable,

22 “(A) the outstanding balance in the account at
23 the beginning of the billing period;

24 “(B) the amount and date of each extension of
25 credit during the period and, if a purchase was involved,

1 a brief identification (unless previously furnished) of
2 the goods or services purchased;

3 “(C) the total amount credited to the account
4 during the period;

5 “(D) the amount of any finance charge added to
6 the account during the period, itemized to show the
7 amount, if any, due to the application of a percentage
8 rate and the amount, if any, imposed as a minimum or
9 fixed charge;

10 “(E) the ~~finance charge~~ expressed as an annual per-
11 ~~centage rate~~ *the rate, if any, used in computing the*
12 *finance charge and, in the case of an installment open end*
13 *credit plan, the equivalent annual percentage rate;*

14 “(F) the balance on which the finance charge
15 was computed and a statement of how the balance was
16 determined. *If such a balance is determined without*
17 *first deducting all payments during the period, that*
18 *fact and the amount of such payments shall also be*
19 *disclosed;*

20 “(G) the outstanding balance in the account at
21 the end of the period; and

22 “(H) the date by which, or the period (if any)
23 within which, payment must be made to avoid addi-
24 tional finance charges.

25 “(4) If a creditor adds to this billing under an open end
26 credit plan one or more installments of other indebtedness

1 from the same obligor, the creditor is not required to dis-
2 close under this subsection any information which has been
3 disclosed previously in compliance with subsection (b) or
4 (c).

5 “(5) *Any creditor under an open end credit transac-*
6 *tion shall furnish any party to the transaction with a*
7 *written estimate of the approximate annual percentage rate*
8 *of the finance charge on the transaction determined in*
9 *accordance with regulations issued by the Board, if the*
10 *party making the request specifies or identifies the repay-*
11 *ments schedule involved and such other essential credit*
12 *terms as may be prescribed in the regulations issued by the*
13 *Board.*

14 “(e) Written acknowledgment of receipt by a person to
15 whom a statement is required to be given pursuant to this
16 section shall be conclusive proof of the delivery thereof and,
17 unless the violation is apparent on the face of the statement,
18 of compliance with this section in any action or proceeding
19 by or against an assignee of the original creditor without
20 knowledge to the contrary by such assignee when he acquires
21 the obligation. Such acknowledgment shall not affect the
22 rights of the obligor in any action against the original creditor.

23 “(f) If there is more than one obligor, a creditor may
24 furnish a statement of required information to only one of
25 them. Required information need not be given in the sequence
26 or order set forth in this section. Additional information or

1 explanations may be included. So long as it conveys sub-
2 stantially the same meaning, a creditor may use language or
3 terminology in any required statement different from that
4 prescribed by this title.

5 “(g) If applicable State law requires disclosure of items
6 of information substantially similar to those required by this
7 title, then a creditor who complies with such State law may
8 comply with this title by disclosing only the additional items
9 of information required by this title.

10 “(h) If information disclosed in accordance with this
11 section and any regulations prescribed by the Board is sub-
12 sequently rendered inaccurate as the result of a prepayment,
13 late payment, adjustment, or amendment of the credit agree-
14 ment through mutual consent of the parties or as permitted
15 by law, or as the result of any act or occurrence subsequent
16 to the delivery of the required disclosures, the inaccuracy re-
17 sulting therefrom shall not constitute a violation of this
18 section.

19 ~~“(i)(1) Prior to July 1, 1968, whenever an annual~~
20 ~~percentage rate is required to be disclosed by this section, the~~
21 ~~rate may be expressed either as a percentage rate per year,~~
22 ~~or as a dollars per hundred per year rate of the average~~
23 ~~unpaid balance.~~

24 ~~“(2) After June 30, 1968, all rates required to be dis-~~
25 ~~closed by this section shall be expressed as percentage rates,~~

1 ~~“(j) No creditor, in order to aid, promote, or assist,~~
 2 ~~directly or indirectly, any consumer credit sale, extension of~~
 3 ~~credit, or open end credit plan, may state or otherwise repre-~~
 4 ~~sent in any advertisement in interstate commerce or affecting~~
 5 ~~interstate commerce~~

6 ~~“(1) that specific credit terms are available with~~
 7 ~~the purchase of goods or services or the obtaining of~~
 8 ~~a loan, unless the advertisement clearly and conspicu-~~
 9 ~~ously sets forth~~

10 ~~“(A) the cash sale price,~~

11 ~~“(B) the number, amount, and period of each~~
 12 ~~installment payment,~~

13 ~~“(C) the downpayment, if any,~~

14 ~~“(D) the time sale price, and~~

15 ~~“(E) the finance charge, expressed as an an-~~
 16 ~~nual percentage rate;~~

17 ~~“(2) that a specified periodic credit amount or in-~~
 18 ~~stallment amount can be arranged, unless the creditor~~
 19 ~~usually and customarily arranges credit payments or in-~~
 20 ~~stallments for that period and in that amount; or~~

21 ~~“(3) that a specified downpayment is required,~~
 22 ~~unless the creditor usually and customarily arranges~~
 23 ~~downpayments in that amount.~~

24 ~~“(k) No creditor, in order to aid, promote, or assist,~~

1 directly or indirectly, the extension of credit under an open
 2 end credit plan, may state or otherwise represent in any
 3 advertisement in interstate commerce or affecting interstate
 4 commerce any of the specific terms of such plan unless the
 5 advertisement clearly and conspicuously sets forth

6 “(1) the conditions under which a finance charge
 7 may be imposed, including the time period, if any,
 8 within which any credit extended may be repaid without
 9 incurring a finance charge;

10 “(2) the method of determining the balance upon
 11 which a finance charge will be imposed;

12 “(3) the method of determining the amount of the
 13 finance charge (including any minimum or fixed amount
 14 imposed as a finance charge); and the percentage rate
 15 per period and the annual percentage rate of the finance
 16 charge to be imposed; and

17 “(4) the conditions under which any other charges
 18 may be imposed, and the method by which they will be
 19 determined.

20 “(i) If a creditor, in order to aid, promote, or assist
 21 directly or indirectly, any consumer credit sale, loan, or other
 22 extension of credit subject to the provisions of this section, other
 23 than an open end credit plan, states or otherwise represents in
 24 any advertisement

25 “(1) the rate of the finance charge, the advertisement

1 *shall state the rate of the finance charge expressed as an*
2 *annual percentage rate; or*

3 “(2) *the amount of an installment payment or the*
4 *dollar amount of finance charge, the advertisement shall*
5 *state:*

6 “(A) *the cash price or the amount of the loan, as*
7 *applicable;*

8 “(B) *the downpayment, if any;*

9 “(C) *the number, amount, and due dates or*
10 *period of payments scheduled to repay the indebted-*
11 *ness if such credit were extended; and*

12 “(D) *the rate of the finance charge expressed*
13 *as an annual percentage rate.*

14 *The provisions of this subsection shall not apply to advertise-*
15 *ments of residential real estate except to the extent that the*
16 *Board may by regulation require.*

17 “(j) *No creditor, in order to aid, promote, or assist,*
18 *directly or indirectly, the extension of credit under an open*
19 *end credit plan may state or otherwise represent in any*
20 *advertisement any of the specific terms of that plan unless*
21 *the advertisement clearly and conspicuously sets forth*

22 “(1) *the conditions under which a finance charge*
23 *may be imposed, including the time period, if any,*
24 *within which any credit extended may be repaid without*
25 *incurring a finance charge;*

1 “(2) the method of determining the balance upon
2 which a finance charge will be imposed;

3 “(3) the method of determining the amount of the
4 finance charge (including any minimum or fixed
5 amount imposed as a finance charge), and the annual
6 percentage rate; and

7 “(4) the conditions under which any other charges
8 may be imposed, and the method by which they will be
9 determined.

10 “(k) No creditor may state or otherwise represent in
11 any advertisement

12 “(1) that a specified periodic credit amount or in-
13 stallment amount can be arranged, unless the creditor
14 usually and customarily arranges credit payments or
15 installments for that period and in that amount; or

16 “(2) that a specified downpayment is required,
17 unless the creditor usually and customarily arranges
18 downpayments in that amount.

19 “(l) For the purposes of subsections (i), (j), and (k),
20 a catalog or other multiple-page advertisement shall be con-
21 sidered a single advertisement if the catalog or other multiple-
22 page advertisement clearly and conspicuously displays a
23 credit terms table on which the information required to be
24 stated by subsections (i), (j), and (k) is clearly set forth.

25 “(m) The prohibitions and requirements of subsections

1 *(i), (j), (k), and (l) of this section shall apply only to a*
 2 *creditor or his agent directly or indirectly causing the*
 3 *publication or dissemination of an advertisement and not*
 4 *to the owner, employees, or distributors of the medium in*
 5 *which the advertisement appears or through which it is dis-*
 6 *seminated.*

7 ~~“(1) No creditor may demand or accept any finance~~
 8 ~~charge in connection with any extension of credit to a~~
 9 ~~natural person which exceeds~~

10 ~~“(1) the maximum rate or amount permitted under~~
 11 ~~the applicable State law; or~~

12 ~~“(2) 18 per centum per annum;~~
 13 ~~whichever is less.~~

14 ~~“(m) No creditor may demand or accept in connection~~
 15 ~~with any extension of credit any note or other document~~
 16 ~~authorizing the confession of judgment against the debtor.~~

17 “(n) The provisions of this section shall not apply to

18 “(1) credit transactions involving extensions of
 19 credit for business or commercial purposes, or to gov-
 20 ernments or governmental agencies or instrumentalities,
 21 or to organizations;

22 “(2) transactions in securities or commodities in
 23 accounts by a broker-dealer registered with the Securities
 24 and Exchange Commission; or

25 “(3) credit transactions, other than real property

1 transactions, in which the total amount to be financed
2 exceeds \$25,000.

3 "REGULATIONS

4 "SEC. 204. (a) The Board shall prescribe regulations
5 to carry out section 203, including provisions

6 " (1) describing the methods which may be used in
7 determining annual percentage rates under section 203,
8 including, but not limited to, the use of any rules, charts,
9 tables, or devices by creditors to convert to an annual
10 percentage rate any add-on, discount, or other method of
11 computing a finance charge;

12 " (2) prescribing procedures to insure that the in-
13 formation required to be disclosed under section 203 is
14 set forth clearly and conspicuously; and

15 " (3) prescribing reasonable tolerances of accuracy
16 with respect to disclosing information under section 203.

17 " (b) In prescribing regulations with respect to reason-
18 able tolerances of accuracy as required by subsection (a) (3),
19 the Board shall observe the following limitations:

20 " (1) The annual percentage rate may be rounded
21 to the nearest quarter of 1 per centum for credit transac-
22 tions payable in substantially equal installments when
23 a creditor determines the total finance charge on the
24 basis of a single add-on, discount, periodic, or other
25 rate, and such rates are converted into an annual

1 percentage rate under procedures prescribed by the
2 Board.

3 “(2) The use of rate tables or charts may be author-
4 ized in cases where the total finance charge is determined
5 in a manner other than that specified in paragraph
6 (1). Such tables or charts may provide for the dis-
7 closure of annual percentage rates which vary up to 8
8 per centum of the rate as defined by section 202 (f).
9 However, any creditor who willfully and knowingly uses
10 such tables or charts in such a manner so as to con-
11 sistently understate the annual percentage rate, as defined
12 by section 202 (f), shall be liable for criminal penalties
13 under section 206 (b) of this title.

14 “(3) In the case of creditors determining the annual
15 percentage rate in a manner other than as described
16 in paragraph (1) or (2), the Board may authorize
17 other reasonable tolerances.

18 “(4) In order to simplify compliance where irreg-
19 ular payments are involved, the Board may authorize
20 tolerances greater than those specified in paragraph (2).

21 “(c) Any regulation prescribed under this section may
22 contain such classifications and differentiations and may pro-
23 vide for such adjustments and exceptions for any class of
24 transactions as in the judgment of the Board are necessary

1 or proper to effectuate the purposes of section 203 or to pre-
 2 vent circumvention or evasion of, or to facilitate compliance
 3 by creditors with, section 203 or any regulation issued under
 4 this section. In prescribing exceptions, the Board may con-
 5 sider, among other things, whether any class of transactions
 6 is subject to any State law or regulation which requires dis-
 7 closures substantially similar to those required by section
 8 203.

9 “(d) In the exercise of its powers under this title, the
 10 Board may request the views of other Federal agencies
 11 which in its judgment exercise regulatory functions with
 12 respect to any class of creditors, and such agencies shall
 13 furnish such views upon request of the Board.

14 “(e) The Board shall establish an advisory committee,
 15 to advise and ~~conduct~~ *consult* with it in the exercise of its
 16 functions with respect to section 203 and this section. In ap-
 17 pointing the members of the committee, the Board shall seek
 18 to achieve a fair representation of the interests of sellers of
 19 merchandise on credit, lenders, and the public. The com-
 20 mittee shall meet from time to time at the call of the
 21 Board, and members thereof shall be paid transportation
 22 expenses and not to exceed \$100 per diem.

23 “EFFECT ON STATE LAWS

24 “SEC. 205. (a) This title shall not be construed to
 25 annul, alter or affect, or to exempt any creditor from comply-

1 ing with, the laws of any State relating to the disclosure of
2 information in connection with credit transactions, except
3 to the extent that such laws are inconsistent with the provi-
4 sions of this title, or regulations issued thereunder, and then
5 only to the extent of the inconsistency. This title shall not
6 otherwise be construed to annul, alter or affect in any manner
7 the meaning, scope or applicability of the laws of any
8 State, including, but not limited to, laws relating to the
9 types, amounts or rates of charges, or any element or ele-
10 ments of charges, permissible under such laws in connection
11 with the extension or use of credit, nor to extend the appli-
12 cability of such laws to any class of persons or transactions to
13 which such laws would not otherwise apply, nor shall the dis-
14 closure of the annual percentage rate in connection with any
15 consumer credit sale as required by this title be evidence in
16 any action or proceeding that such sale was a loan or any
17 transaction other than a credit sale.

18 “(b) The Board shall by regulation exempt from the
19 requirements of section 203 any class of credit transactions
20 which it determines are subject to State law or regulation
21 substantially similar to the requirements under that section,
22 with adequate provision for enforcement.

23 “(c) Except as specified in section 206, section 203 and
24 the regulations issued thereunder do not affect the validity

1 or enforceability of any contract or obligation under State or
2 Federal law.

3 "CIVIL AND CRIMINAL PENALTIES

4 "SEC. 206. (a) (1) Any creditor who, in connection
5 with any credit transaction, knowingly fails in violation of
6 section 203 (*except sections 203(i), 203(j), and 203(k)*), or
7 any regulation issued thereunder, to disclose any information
8 to any person to whom such information is required to be
9 given shall be liable to such person in the amount of \$100,
10 or in any amount equal to twice the finance charge required
11 by such creditor in connection with such transaction, which-
12 ever is the greater, except that such liability shall not exceed
13 \$1,000 on any credit transaction.

14 "(2) In any action brought under this subsection in which
15 it is shown that the creditor disclosed a percentage rate or
16 amount less than that required to be disclosed by section 203
17 or regulations prescribed by the Board (after taking into
18 account permissible tolerances), or failed to disclose informa-
19 tion so required, there shall be a rebuttable presumption
20 that such violation was made knowingly. The presumption
21 is rebutted if the creditor shows by a preponderance
22 of evidence that the violation was not intentional and re-
23 sulted from a bona fide error notwithstanding the mainte-
24 nance of procedures reasonably adapted to avoid any such
25 error. A creditor has no liability under this subsection

1 if within fifteen days after discovering the error, and prior
2 to the institution of an action hereunder or the receipt of
3 written notice of the error, the creditor notifies the person
4 concerned of the error and makes whatever adjustments in
5 the appropriate account as are necessary to insure that the
6 person will not be required to pay a finance charge in excess
7 of the amount or percentage rate so disclosed.

8 “(3) Any action under this subsection may be brought
9 in any United States district court, or in any other court of
10 competent jurisdiction, within one year from the date of
11 the occurrence of the violation. In any such action in which
12 a person is entitled to recover a penalty as prescribed in
13 paragraph (1), the defendant is also liable for reasonable
14 attorneys’ fees and court costs as determined by the court.

15 “(b) Any person who knowingly and willfully gives
16 false or inaccurate information or fails to provide informa-
17 tion required to be disclosed under the provisions of this title
18 or any regulation issued thereunder, or who otherwise know-
19 ingly and willfully violates any provision of this title or any
20 regulation issued thereunder, shall be fined not more than
21 \$5,000 or imprisoned not more than one year, or both. The
22 Attorney General shall enforce this subsection.

23 “(c) No punishment or penalty provided for a viola-
24 tion of section 203 or any regulation issued under section
25 204 applies to the United States, or any agency thereof, or to

1 any State, any political subdivision thereof, or any agency
2 of any State or political subdivision.

3 “(d) No person is subject to punishment or penalty
4 under this section solely as the result of the disclosure
5 of a finance charge or percentage which is greater than the
6 amount of such charge or percentage required to be disclosed
7 by such person under section 203, or regulations prescribed
8 by the Board.

9 “REGULATION OF CREDIT FOR COMMODITY FUTURES
10 TRADING

11 “SEC. 207. For the purpose of preventing the excessive
12 speculation in and the excessive use of credit for the creation,
13 carrying, or trading in commodity futures contracts having
14 the effect of inflating consumer prices, the Board of Gov-
15 ernors of the Federal Reserve System shall prescribe regula-
16 tions governing the amount of credit that may be extended
17 or maintained on any such contract. The regulations may
18 define the terms used in this section, may exempt such trans-
19 actions as the Board may deem unnecessary to regulate in
20 order to carry out the purpose of this section, and may make
21 such differentiations among commodities, transactions, bor-
22 rowers, lenders, as the Board may deem appropriate.

23 “EMERGENCY CONTROL OF CONSUMER CREDIT

24 “SEC. 208. (a) Whenever the President determines that
25 a national emergency exists which necessitates such action,

1 the Board shall issue regulations, which may include defini-
2 tions of terms used in this section; to control, to such extent
3 as the Board determines appropriate;

4 ~~“(1) the extension of consumer credit, by means of~~
5 ~~any prohibitions, restrictions, or requirements relating to~~

6 ~~“(A) the amounts in which and the purposes~~
7 ~~for which credit may be extended to any person;~~

8 ~~“(B) the maximum maturity or other require-~~
9 ~~ments as to the repayment or liquidation of any~~
10 ~~extension of consumer credit;~~

11 ~~“(C) where consumer credit is used for the~~
12 ~~purchase of identifiable property; maximum loan-to-~~
13 ~~value ratios;~~

14 ~~“(D) the terms of any arrangement for the~~
15 ~~lease or rental of personal property; and~~

16 ~~“(E) such other elements in any extension of~~
17 ~~credit as may, in his judgment, require regulation in~~
18 ~~order to carry out the purposes of this title.~~

19 ~~“(2) the extension of credit to finance directly or~~
20 ~~indirectly the extension of consumer credit. Controls~~
21 ~~imposed pursuant to this paragraph may be related to~~
22 ~~the borrower's financial history, or to the lender's other~~
23 ~~loans and investments; or to such other factors as the~~
24 ~~Board may deem appropriate.~~

1 “(3) in the case of any lender engaged both in the
2 extension of consumer credit and in other types of
3 financing, the proportion of such lender's assets which
4 may be devoted to the extension of any type of con-
5 sumer credit.

6 This section does not apply to extensions of credit to finance
7 the acquisition of real property.

8 “ADMINISTRATIVE ENFORCEMENT

9 “SEC. 209. (a) Whenever the Board has reason to
10 believe that any person has engaged, is engaged, or is about to
11 engage in a violation of this title, and it appears to the Board
12 that a proceeding by it in respect thereof would be in the
13 public interest, it shall serve upon that person a complaint
14 stating its charges and containing a notice of a hearing upon
15 a day and at a place therein fixed at least thirty days after
16 the service of the complaint. The person so complained of
17 shall have the right to appear in opposition to the charges set
18 forth in the complaint. The Board may upon good cause
19 shown allow any person to intervene by counsel or in person
20 in such a proceeding. The testimony in any such proceeding
21 shall be reduced to writing and filed in the office of the
22 Board. If upon the hearing the Board is of the opinion that
23 the person charged in the complaint has violated, is violat-
24 ing, or is about to violate this title, the Board shall state its
25 findings of fact in writing and shall issue and serve an order

1 requiring the person not to engage in the violation. Until
2 the expiration of the time allowed for filing a petition for
3 review, if no such petition has been duly filed within such
4 time, or, if a petition for review has been filed within such
5 time then until the record in the proceeding has been filed
6 in a court of appeals of the United States, as hereinafter
7 provided, the Board may at any time, upon such notice and
8 in such manner as it shall deem proper, modify or set aside,
9 in whole or in part, any report or any order made or issued
10 by it under this section. After the expiration of the time
11 allowed for filing a petition for review, if no such petition
12 has been duly filed within such time, the Board may at any
13 time, after notice and opportunity for hearing, reopen and
14 alter, modify, or set aside, in whole or in part, any report or
15 order made or issued by it under this section, whenever in
16 the opinion of the Board conditions of fact or of law have
17 so changed as to require such action or if the public interest
18 shall so require. The person subject to the order may, within
19 sixty days after service of the report or order entered after
20 such a reopening, obtain a review thereof in the appropriate
21 court of appeals of the United States, in the manner provided
22 in subsection ~~(b)~~ of this section.

23 “(b) REVIEW OF ORDER; REHEARING.—Any person
24 required by an order of the Board not to engage in a violation
25 of this title may obtain a review of such order in the court of

1 appeals of the United States, within any circuit where the act
2 or practice in question was used or where such person resides
3 or carries on business, by filing in the court, within sixty
4 days from the date of the service of such order, a written
5 petition praying that the order of the Board be set aside.
6 A copy of such petition shall be forthwith transmitted by
7 the clerk of the court to the Board, and thereupon the
8 Board shall file in the court the record in the proceeding,
9 as provided in section 2112 of title 28. Upon such filing
10 of the petition the court shall have jurisdiction of the pro-
11 ceeding and of the question determined therein concurrently
12 with the Board until the filing of the record and shall have
13 power to make and enter a decree affirming, modifying,
14 or setting aside the order of the Board, and enforcing the
15 same to the extent that such order is affirmed and to issue
16 such writs as are ancillary to its jurisdiction or are neces-
17 sary in its judgment to prevent injury to the public or to
18 competitors pendente lite. The findings of the Board as
19 to the facts, if supported by evidence, shall be conclusive.
20 To the extent that the order of the Board is affirmed, the
21 court shall thereupon issue its own order commanding
22 obedience to the terms of such order of the Board. If either
23 party shall apply to the court for leave to adduce addi-
24 tional evidence, and shall show to the satisfaction of the
25 court that such additional evidence is material and that

1 there were reasonable grounds for the failure to adduce
2 such evidence in the proceeding before the Board, the court
3 may order such additional evidence to be taken before the
4 Board and to be adduced upon the hearing in such manner
5 and upon such terms and conditions as to the court may
6 seem proper. The Board may modify its findings as to the
7 facts, or make new findings, by reason of the additional
8 evidence so taken, and it shall file such modified or new
9 findings, which, if supported by evidence, shall be conclu-
10 sive, and its recommendation, if any, for the modification
11 or setting aside of its original order, with the return of
12 such additional evidence. The judgment and decree of the
13 court shall be final, except that the same shall be subject
14 to review by the Supreme Court upon certiorari, as pro-
15 vided in section 347 of title 28 of the United States Code.

16 “(c) JURISDICTION OF COURT.—Upon the filing of the
17 record with it the jurisdiction of the court of appeals of the
18 United States to affirm, enforce, modify, or set aside orders
19 of the Board shall be exclusive.

20 “(d) SERVICE OF COMPLAINTS, ORDERS, AND OTHER
21 PROCESSES; RETURN.—Complaints, orders, and other pro-
22 cesses of the Board under this section may be served by
23 anyone duly authorized by the Board, either (1) by de-
24 livering a copy thereof to the person to be served, or to a
25 member of the partnership to be served, or the president,

1 secretary, or other executive officer or a director of the cor-
 2 poration to be served; or ~~(2)~~ by leaving a copy thereof at
 3 the residence or the principal office or place of business of
 4 such person; or ~~(3)~~ by mailing a copy thereof by registered
 5 mail or by certified mail addressed to such person at his or
 6 its residence or principal office or place of business. The
 7 verified return by the person so serving said complaint,
 8 order, or other process setting forth the manner of said serv-
 9 ice shall be proof of the same, and the return post office
 10 receipt for said complaint, order, or other process mailed by
 11 registered mail or by certified mail as aforesaid shall be
 12 proof of the service of the same.

13 “~~(e)~~ FINALITY OF ORDER.—An order of the Board to
 14 cease and desist shall become final

15 “~~(1)~~ upon the expiration of the time allowed for
 16 filing a petition for review, if no such petition has been
 17 duly filed within such time; but the Board may there-
 18 after modify or set aside its order to the extent provided
 19 in the last sentence of subsection ~~(a)~~; or

20 “~~(2)~~ upon the expiration of the time allowed for
 21 filing a petition for certiorari, if the order of the Board
 22 has been affirmed, or the petition for review dismissed by
 23 the court of appeals, and no petition for certiorari has
 24 been duly filed; or

25 “~~(3)~~ upon the denial of a petition for certiorari, if

the order of the Board has been affirmed or the petition for review dismissed by the court of appeals; or

~~“(4) upon the expiration of thirty days from the date of issuance of the mandate of the Supreme Court, if such Court directs that the order of the Board be affirmed or the petition for review dismissed.~~

~~“(f) SAME; ORDER MODIFIED OR SET ASIDE BY SUPREME COURT.—If the Supreme Court directs that the order of the Board be modified or set aside, the order of the Board rendered in accordance with the mandate of the Supreme Court shall become final upon the expiration of thirty days from the time it was rendered, unless within such thirty days either party has instituted proceedings to have such order corrected to accord with the mandate, in which event the order of the Board shall become final when so corrected.~~

~~“(g) SAME; ORDER MODIFIED OR SET ASIDE BY COURT OF APPEALS.—If the order of the Board is modified or set aside by the court of appeals, and if (1) the time allowed for filing a petition for certiorari has expired and no such petition has been duly filed, or (2) the petition for certiorari has been denied, or (3) the decision of the court has been affirmed by the Supreme Court, then the order of the Board rendered in accordance with the mandate of the court of appeals shall become final on the expiration of thirty~~

1 days from the time such order of the Board was rendered;
 2 unless within such thirty days either party has instituted
 3 proceedings to have such order corrected so that it will
 4 accord with the mandate, in which event the order of the
 5 Board shall become final when so corrected.

6 “(h) SAME; REHEARING UPON ORDER OR REMAND.—

7 If the Supreme Court orders a rehearing; or if the case is
 8 remanded by the court of appeals to the Board for a rehear-
 9 ing; and if (1) the time allowed for filing a petition for
 10 certiorari has expired, and no such petition has been duly
 11 filed; or (2) the petition for certiorari has been denied; or
 12 (3) the decision of the court has been affirmed by the
 13 Supreme Court, then the order of the Board rendered upon
 14 such rehearing shall become final in the same manner as
 15 though no prior order of the Board had been rendered.

16 “(j) DEFINITION OF MANDATE.—As used in this sec-
 17 tion the term ‘mandate’, in case a mandate has been recalled
 18 prior to the expiration of thirty days from the date of issu-
 19 ance thereof, means the final mandate.

20 “(k) PENALTY FOR VIOLATION OF ORDER.—Any
 21 person who violates an order of the Board to cease and
 22 desist after it has become final, and while such order is in
 23 effect, shall forfeit and pay to the United States a civil
 24 penalty of not more than \$5,000 for each violation, which
 25 shall accrue to the United States and may be recovered in

1 a civil action brought by the United States. Each separate
 2 violation of such an order shall be a separate offense, ex-
 3 cept that in the case of a violation through continuing
 4 failure or neglect to obey a final order of the Board each
 5 day of continuance of such failure or neglect shall be deemed
 6 a separate offense.

7 "ADMINISTRATIVE ENFORCEMENT

8 "SEC. 207. All of the functions and powers of the
 9 Federal Trade Commission are applicable to the administra-
 10 tion and enforcement of this title to the same extent as if this
 11 title were a part of the Federal Trade Commission Act, and
 12 any person violating or threatening to violate any provision
 13 of this title or any regulation in implementation of this title
 14 is subject to the penalties and entitled to the provisions and
 15 immunities provided in the Federal Trade Commission Act,
 16 except as follows:

17 "(1) The exceptions stated in section 5(a)(6) of
 18 the Federal Trade Commission Act (15 U.S.C. 45(a)
 19 (6)) are not, as such, applicable to this title.

20 "(2) No bank or thrift institution is subject to the
 21 jurisdiction of the Federal Trade Commission or to the
 22 provisions of the Federal Trade Commission Act with
 23 respect to this title if the bank or institution is subject to
 24 section 5(d) of the Home Owners' Loan Act of 1933
 25 (12 U.S.C. 1464(d)), section 407 of the National Hous-

1 *ing Act (12 U.S.C. 1730), or section 8 of the Federal*
2 *Deposit Insurance Act (12 U.S.C. 1818). The Comp-*
3 *troller of the Currency, the Board of Governors of the*
4 *Federal Reserve System, the Federal Deposit Insurance*
5 *Corporation, and the Federal Home Loan Bank Board*
6 *(acting directly or through the Federal Savings and*
7 *Loan Insurance Corporation) shall enforce this title and*
8 *regulations in implementation thereof with respect to*
9 *banks and other institutions under their respective*
10 *jurisdictions.*

11 “(3) No common carrier subject to the acts to regu-
12 *late commerce is subject to the jurisdiction of the Federal*
13 *Trade Commission or to the provisions of the Federal*
14 *Trade Commission Act with respect to this title. The*
15 *Interstate Commerce Commission shall enforce this title*
16 *and regulations in implementation thereof with respect*
17 *to such carriers.*

18 “(4) No air carrier or foreign air carrier subject
19 *to the Federal Aviation Act of 1958 is subject to the*
20 *Federal Trade Commission or to the provisions of the*
21 *Federal Trade Commission Act with respect to this title.*
22 *The Civil Aeronautics Board or the Federal Aviation*
23 *Administration, as may be appropriate, shall enforce*
24 *this title and regulations in implementation thereof with*
25 *respect to any such carrier.*

1 “(5) *Except as provided in section 406 of the Act*
 2 *of August 15, 1921 (7 U.S.C. 227)—*

3 “(A) *no person, partnership, or corporation*
 4 *subject to the Packers and Stockyards Act, 1921,*
 5 *is subject to the jurisdiction of the Federal Trade*
 6 *Commission or to the provisions of that Act with*
 7 *respect to this title, and*

8 “(B) *the Secretary of Agriculture shall enforce*
 9 *this title and regulations in implementation thereof*
 10 *with respect to persons, partnerships, and corpora-*
 11 *tions subject to the Packers and Stockyards Act,*
 12 *1921.*

13 “REPORTS

14 “SEC. ~~210~~ 208. Not later than January 3 of each year
 15 commencing after the effective date of this title, the Board of
 16 Governors of the Federal Reserve System and the Attorney
 17 General shall, respectively, make reports to the Congress con-
 18 cerning the administration of their functions under this title,
 19 including such recommendations as the Board and the Attor-
 20 ney General, respectively, deem necessary or appropriate.
 21 In addition, reports of the Board of Governors of the Federal
 22 Reserve System shall include the Board's assessment of the
 23 extent to which compliance with the provisions of this title,
 24 and regulations prescribed thereunder, is being achieved.

1 “EFFECTIVE DATE

2 “SEC. ~~211~~ 209. The provisions of this title shall take
3 effect July ~~1~~, 1968 *on the first day of the ninth calendar*
4 *month which begins after the date of enactment of this title,*
5 *except that section 204 shall take effect immediately.”*

6 TITLE II—~~PROHIBITION~~ *RESTRICTION* OF
7 GARNISHMENT OF WAGES

8 SEC. 201. The Congress finds that garnishment of wages
9 is frequently an essential element in predatory extensions of
10 credit and that the resulting disruption of employment, pro-
11 duction, and consumption constitutes a substantial burden
12 upon interstate commerce.

13 SEC. 202. ~~(a)~~ No person may attach or garnish wages
14 or salary due an employee; or pursue in any court any similar
15 legal or equitable remedy which has the effect of stopping
16 or diverting the payment of wages or salary due an employee.

17 ~~(b)~~ Whoever violates subsection ~~(a)~~ of this section
18 shall be fined not more than \$1,000; or imprisoned not more
19 than one year, or both.

20 SEC. 202. (a) *Except as provided in subsection (b) of*
21 *this section, not more than 10 per centum of the excess over*
22 *\$30 per week, or its equivalent for any pay period of a dif-*
23 *ferent duration, of any wages, salary, or earnings in the*
24 *form of commission or bonus as compensation for personal*
25 *services may be attached, garnished, or subjected to any*

1 similar legal or equitable process or order. No court of the
2 United States or of any State may make, execute, or enforce
3 any order or process in violation of this section.

4 (b) The prohibition contained in subsection (a) of this
5 section does not apply in the case of any debt due—

6 (1) under the order of any court for the support of
7 any person; or

8 (2) for any State or Federal tax.

9 (c) The Secretary of Labor is authorized to make such
10 regulations as may be necessary to carry out the purposes of
11 this section. Whoever willfully and knowingly violates any
12 regulation issued under authority of this section shall be fined
13 not more than \$1,000, or imprisoned not more than one year,
14 or both.

15 (d) The Secretary of Labor, acting through the Wage
16 and Hour Division of the Department of Labor, shall enforce
17 the provisions of this section.

18 SEC. 203. (a) No employer may discharge any em-
19 ployee by reason of the fact that, on one occasion, wages or
20 other compensation due the employee for personal services
21 have been subjected to attachment, garnishment, or any simi-
22 lar legal or equitable process.

23 (b) The Secretary of Labor, acting through the Wage
24 and Hour Division of the Department of Labor, shall enforce
25 the provisions of this section.

1 (c) Whoever willfully violates subsection (a) of this
 2 section shall be fined not more than \$1,000, or imprisoned
 3 not more than one year, or both.

4 SEC. 204. This title shall not be construed to annul,
 5 alter, or affect, or to exempt any creditor from complying
 6 with, the laws of any State relating to the garnishment of
 7 wages, salary, or earnings in the form of commission or
 8 bonus, as compensation for personal services in connection
 9 with credit transactions, where such laws—

10 (1) prohibit such garnishments or provide for more
 11 limited garnishments than are provided for in section
 12 202(a) of this title, or

13 (2) prohibit the discharge of any employee by rea-
 14 son of the fact that, on any occasion, wages or other
 15 compensation due the employee for personal services have
 16 been subjected to attachment, garnishment, or any similar
 17 legal or equitable process.

18 TITLE III—COMMISSION ON CONSUMER FINANCE

19 SEC. 301. ESTABLISHMENT.—There is established a bi-
 20 partisan National Commission on Consumer Finance (re-
 21 ferred to in this title as the “Commission”).

22 SEC. 302. MEMBERSHIP OF THE COMMISSION.—(a)
 23 The Commission shall be composed of nine members, of
 24 whom—

1 (1) three are Members of the Senate appointed
2 by the President of the Senate;

3 (2) three are Members of the House of Representa-
4 tives appointed by the Speaker of the House of Repre-
5 sentatives; and

6 (3) three are persons not employed in a full-time
7 capacity by the United States appointed by the Presi-
8 dent, one of whom he shall designate as Chairman.

9 (b) A vacancy in the Commission does not affect its
10 powers and may be filled in the same manner as the original
11 appointment.

12 (c) Five members of the Commission constitute a
13 quorum.

14 SEC. 303. COMPENSATION OF MEMBERS.—(a) Mem-
15 bers of Congress who are members of the Commission shall
16 serve without compensation in addition to that received for
17 their services as Members of Congress; but they shall be
18 reimbursed for travel, subsistence, and other necessary ex-
19 penses incurred by them in the performance of the duties
20 vested in the Commission.

21 (b) Each member of the Commission who is appointed
22 by the President may receive compensation at a rate of
23 \$100 for each day he is engaged upon work of the Com-
24 mission, and shall be reimbursed for travel expenses, includ-

1 ing per diem in lieu of subsistence as authorized by law
2 (5 U.S.C. 5703) for persons in the Government service
3 employed intermittently.

4 SEC. 304. DUTIES OF THE COMMISSION.—(a) The
5 Commission shall study and appraise the functioning and
6 structure of the consumer finance industry, *as well as con-*
7 *sumer credit transactions generally.* The Commission, in its
8 report and recommendations to the Congress, shall include
9 treatment of the following topics:

10 (1) The adequacy of existing arrangements to pro-
11 vide consumer ~~financing~~ *credit* at reasonable rates.

12 (2) The adequacy of existing supervisory and reg-
13 ulatory mechanisms to protect the public from unfair
14 practices, *and insure the informed use of consumer*
15 *credit.*

16 (3) The desirability of Federal chartering of con-
17 sumer finance companies, or other Federal regulatory
18 measures.

19 (b) The Commission may make interim reports, and
20 shall make a final report of its findings, recommendations,
21 and conclusions to the President and to the Congress by
22 December 31, 1969.

23 SEC. 305. POWERS OF THE COMMISSION.—(a) The
24 Commission, or any three members thereof as authorized
25 by the Commission, may conduct hearings anywhere in

1 the United States or otherwise secure data and expres-
2 sions of opinions pertinent to the study. In connection there-
3 with the Commission is authorized by majority vote

4 (1) to require, by special or general orders, cor-
5 porations, business firms, and individuals to submit in
6 writing such reports and answers to questions as the
7 Commission may prescribe; such submission shall be
8 made within such reasonable period and under oath or
9 otherwise as the Commission may determine;

10 (2) to administer oaths;

11 (3) to require by subpoena the attendance and testi-
12 mony of witnesses and the production of all documentary
13 evidence relating to the execution of its duties;

14 (4) in the case of disobedience to a subpoena or
15 order issued under paragraph (a) of this section to
16 invoke the aid of any district court of the United States
17 in requiring compliance with such subpoena or order;

18 (5) in any proceeding or investigation to order
19 testimony to be taken by deposition before any person
20 who is designated by the Commission and has the power
21 to administer oaths, and in such instances to compel
22 testimony and the production of evidence in the same
23 manner as authorized under subparagraphs (3) and (4)
24 above; and

25 (6) to pay witnesses the same fees and mileage as

1 are paid in like circumstances in the courts of the United
2 States.

3 (b) Any district court of the United States within the
4 jurisdiction of which an inquiry is carried on may, in case
5 of refusal to obey a subpoena or order of the Commission
6 issued under paragraph (a) of this section, issue an order
7 requiring compliance therewith; and any failure to obey
8 the order of the court may be punished by the court as a
9 contempt thereof.

10 (c) The Commission is authorized to require directly
11 from the head of any Federal executive department or
12 independent agency available information deemed useful in
13 the discharge of its duties. All departments and independent
14 agencies of the Government are hereby authorized and di-
15 rected to cooperate with the Commission and to furnish
16 all information requested by the Commission to the extent
17 permitted by law.

18 (d) The Commission is authorized to enter into con-
19 tracts with Federal or State agencies, private firms, in-
20 stitutions, and individuals for the conducting of research
21 or surveys, the preparation of reports, and other activities
22 necessary to the discharge of its duties.

23 (e) When the Commission finds that publication of
24 any information obtained by it is in the public interest and
25 would not give an unfair competitive advantage to any

1 person, it is authorized to publish such information in the
2 form and manner deemed best adapted for public use,
3 except that data and information which would separately
4 disclose the business transactions of any person, trade
5 secrets, or names of customers shall be held confidential
6 and shall not be disclosed by the Commission or its staff.
7 The Commission shall permit business firms or individuals
8 reasonable access to documents furnished by them for the
9 purpose of obtaining or copying such documents as need
10 may arise.

11 (f) The Commission is authorized to delegate any of
12 its functions to individual members of the Commission or to
13 designated individuals on its staff and to make such rules
14 and regulations as are necessary for the conduct of its busi-
15 ness, except as herein otherwise provided.

16 SEC. 306. ADMINISTRATIVE ARRANGEMENTS.—(a)
17 The Commission is authorized, without regard to the pro-
18 visions of title 5, United States Code, relating to appoint-
19 ments in the competitive service or to classification and
20 General Schedule pay rates, to appoint and fix the compen-
21 sation of an executive director and the executive director,
22 with the approval of the Commission, shall employ and fix
23 the compensation of such additional personnel as may be
24 necessary to carry out the functions of the Commission, but
25 no individual so appointed shall receive compensation in

1 excess of the rate authorized for GS-18 under the General
2 Schedule.

3 (b) The executive director, with the approval of the
4 Commission, is authorized to obtain services in accordance
5 with the provisions of section 3109 of title 5 of the United
6 States Code, but at rates for individuals not to exceed \$100
7 per diem.

8 (c) The head of any executive department or independ-
9 ent agency of the Federal Government is authorized to de-
10 tail, on a reimbursable basis, any of its personnel to assist
11 the Commission in carrying out its work.

12 (d) Financial and administrative services (including
13 those related to budgeting and accounting, financial report-
14 ing, personnel, and procurement) shall be provided the Com-
15 mission by the General Services Administration, for which
16 payment shall be made in advance, or by reimbursement,
17 from funds of the Commission in such amounts as may be
18 agreed upon by the Chairman of the Commission and the
19 Administrator of General Services. The regulations of the
20 General Services Administration for the collection of in-
21 debtedness of personnel resulting from erroneous payments
22 shall apply to the collection of erroneous payments made to
23 or on behalf of a Commission employee, and regulations of
24 said Administrator for the administrative control of funds

1 shall apply to appropriations of the Commission. The Com-
2 mission shall not be required to prescribe such regulations.

3 (e) Ninety days after submission of its final report, as
4 provided in section 304 (b), the Commission shall cease to
5 exist.

6 SEC. 307. AUTHORIZATION OF APPROPRIATIONS.—
7 There is hereby authorized to be appropriated such sums not
8 in excess of \$1,500,000 as may be necessary to carry out the
9 provisions of this title. Any money appropriated pursuant
10 hereto shall remain available to the Commission until the
11 date of its expiration, as fixed by section 306 (e).

12 TITLE IV—SEVERABILITY

13 SEC. 401. If any provision of this Act is judicially held
14 to be invalid, that holding does not necessarily affect the
15 validity of any other provision of this Act.

Amend the title so as to read: "A bill to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by restricting the garnishment of wages; and by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes."

[Report No. 1040]

A BILL

To safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the furnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes.

By Mrs. SULLIVAN, Mr. GONZALEZ, Mr. MINISH,
Mr. ANNUNZIO, Mr. BINGHAM, and Mr.
HALPERN

JULY 20, 1967

Referred to the Committee on Banking and Currency

DECEMBER 13, 1967

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
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Issued January 25, 1968
For actions of January 24, 1968
90th-2nd; No. 8

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HIGHLIGHTS: House Rules Committee cleared consumer protection credit bill. Sen. Curtis introduced and discussed bill to provide advance payments to feed grain program participants.

HOUSE

1. CONSUMER CREDIT. The Rules Committee reported a resolution for the consideration of H. R. 11601, the consumer credit protection bill. p. H372
2. RECREATION. Passed as reported H. R. 1340, to extend the Blue Ridge Parkway in N. C. and Ga. (pp. H322, H326-31) and H. R. 5605, to establish the Florissant Fossil Beds National Monument, Colo. (pp. H323, H333-35).

3. CIVIL RIGHTS. Both Houses received the President's message on civil rights (H. Doc. 243) (pp. H318-21, S357-60) and several Sens. and Reps. commented on the message (pp. H321-2, H367-8, H371, S376, S383, S388-9).
4. WATERSHEDS. The Agriculture Committee approved plans of improvement for 12 watersheds. pp. H26-7
5. OCCUPATIONAL SAFETY. Rep. Perkins discussed the provisions of the proposed Occupational Safety and Health Act. pp. H350-1
6. FARM PROGRAM. Rep. Albert inserted the text of Secretary Freeman's speech at the annual convention of the National Association of Wheat Growers, Wichita, Kans. pp. H355-6

SENATE

7. POPULATION CHANGES. Agreed to without ^{amendment} / S. Con. Res. 33, to authorize the Jt. Economic Committee to study the distribution of population between urban and rural areas. The study would focus on--(1) Factors affecting industrial location; (2) The extent to which industry can operate efficiently in rural areas and to the extent to which new industry creates additional social and economic problems in urban centers; (3) The extent to which greater population density reduces efficiency in providing public services; (4) The extent to which a better geographic balance in future economic growth would serve the public interest; and (5) Methods for encouraging a better balanced economic development. pp. S360-1
8. WILDERNESS. Sen. Jackson announced hearings on S. 2531, S. 2630, and S. 2751, to include three new additions to the national wilderness preservation system to begin on Feb. 19. p. S365
9. ECONOMY; SPENDING. Sen. Proxmire urged further cuts in Federal spending. p. S377
10. TRUTH-IN-LENDING. Sen. Tydings spoke in favor of the truth-in-lending bill that passed the Senate last July and inserted several articles in support of this measure. pp. S383-6
11. MIGRATORY LABOR. A subcommittee of the Labor and Public Welfare Committee approved for full committee consideration with amendment S. 8, to extend collective bargaining rights to agricultural employees, and S. 2688, to extend for 5 years the health services program for domestic agricultural migratory workers. p. D26

EXTENSION OF REMARKS

12. ECONOMICS. Rep. Albert inserted an address describing the aims and goals of the Economic Development Administration. pp. E157-8
13. RESEARCH. Rep. Keith stated that we are just beginning to realize how important the oceans are in many areas of vital concern, and inserted a series of articles, "Man and the Sea." pp. E190-202

CONSIDERATION OF H. R. 11601

JANUARY 24, 1968.—Referred to the House Calendar and ordered to be printed

Mr. COLMER, from the Committee on Rules,
submitted the following

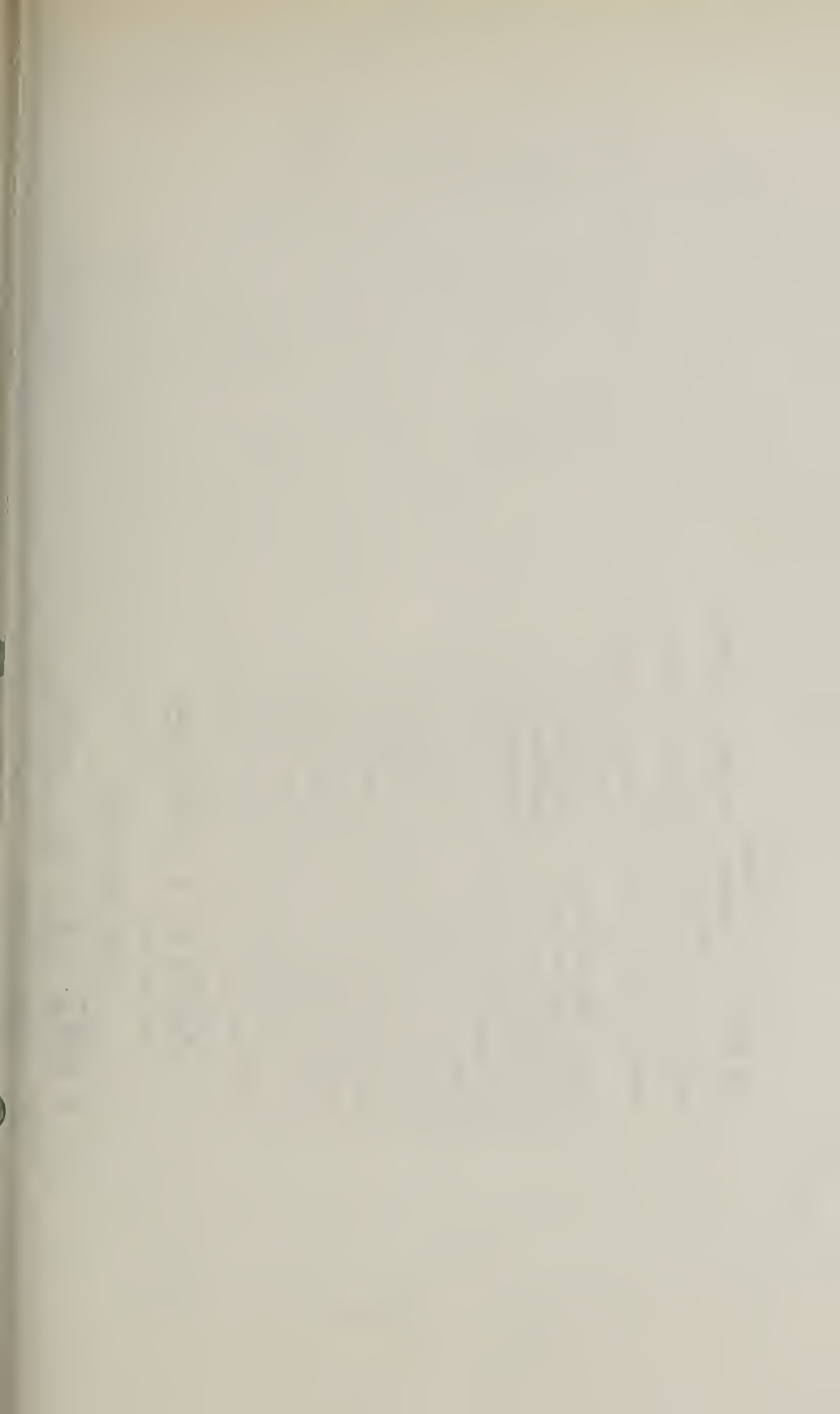
R E P O R T

To accompany H. Res. 1043]

The Committee on Rules, having had under consideration House Resolution 1043, reports the same to the House with the recommendation that the resolution do pass.

○

1 prices; by establishing machinery for the use during periods
2 of national emergency of temporary controls over credit to
3 prevent inflationary spirals; by prohibiting the garnishment
4 of wages; by creating the National Commission on Con-
5 sumer Finance to study and make recommendations on the
6 need for further regulation of the consumer finance industry;
7 and for other purposes. After general debate, which shall be
8 confined to the bill and shall continue not to exceed three
9 hours, to be equally divided and controlled by the chairman
10 and ranking minority member of the Committee on Banking
11 and Currency, the bill shall be read for amendment under
12 the five-minute rule. At the conclusion of the consideration
13 of the bill for amendment, the Committee shall rise and report
14 the bill to the House with such amendments as may have
15 been adopted, and the previous question shall be considered
16 as ordered on the bill and amendments thereto to final
17 passage without intervening motion except one motion to
18 recommit. After the passage of H.R. 11601, the Committee
19 on Banking and Currency shall be discharged from the
20 further consideration of the bill S. 5, and it shall then be
21 in order in the House to move to strike out all after the
22 enacting clause of said Senate bill and insert in lieu thereof
23 the provisions contained in H.R. 11601 as passed by the
24 House.



RESOLUTION

Providing for consideration of H.R. 11601 to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes.

By Mr. COLMER

JANUARY 24, 1968

Referred to the House Calendar and ordered to be printed

INDEX of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

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U. S. DEPARTMENT OF AGRICULTURE

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HIGHLIGHT: House debated consumer credit protection bill.

SENATE

1. VETERANS' BENEFITS. Both Houses received the President's message in which he recommends enactment of legislation for the benefit of veterans, including a proposal to increase the maximum guarantee of GI home loans (H. Doc. 245); to S. Labor and Public Welfare and H. Veterans Affairs Committees (pp. S601-3, H482-5). The message also includes the announcement of a plan to hire veterans

on a priority basis to fill jobs open in the first five levels of the Civil Service, without having to compete in the regular examination--provided he agrees to pursue a part-time educational program under the GI Bill.

Several Sens. and Reps. discussed the merits of the President's veterans message. pp. S603-7, S621, H485-95, H592

2. NOMINATION. Confirmed the nomination of Clark Clifford to be Secretary of Defense. pp. S596-600
3. DAIRY IMPORTS. Sen. Proxmire spoke in favor of his bill S. 612, the proposed dairy import control bill. p. S629
4. BUDGET. Sens. Proxmire and Holland discussed the merits of the President's budget. pp. S632-4, S644-5
5. EMPLOYMENT. Sen. Smathers urged enactment of proposals to help the unemployed presented in the President's manpower message. p. S630
6. POULTRY INSPECTION. Sen. Miller was added as a cosponsor to S. 2846, to provide for the Federal inspection of all poultry and poultry products intended for human consumption. p. S621
7. PEACE CORPS. Both Houses received from the Peace Corps a proposed bill to enable the Peace Corps to continue its work on behalf of world peace and understanding to Senate Foreign Relations and House Foreign Affairs Committees. pp. S607, H597
8. SALINE WATER. Both Houses received from the Interior Department a proposed bill to authorize appropriations for the saline water conversion program and to expand the program; to House and Senate Interior and Insular Affairs Committees. pp. S607, H597
9. ELECTRIFICATION. Received from this Department a report on the approval of a REA loan to the Lower Colorado River Authority of Austin, Tex., to finance certain generation and transmission facilities; to Appropriations Committee. p. S607

HOUSE

10. WATER RESOURCES. Received the conference report on S. 1788, to authorize the Secretary of the Interior to engage in feasibility investigations of certain water resource developments (H. Rept. 1065). p. H481
11. CONSUMER CREDIT. Began debate on H. R. 11601, the consumer credit protection bill. pp. H496-535
12. CREDIT UNIONS. The Rules Committee reported a resolution providing for the consideration of H. R. 6157, to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment. p. H597

money into the coffers of the U.S. Treasury than they had cost.

Once again we have the opportunity to open new vistas of opportunity for our veterans. The stirring message sent to Congress by President Johnson on veterans' and servicemen's benefits points out the way for this Nation to achieve a twofold benefit. While recognizing our responsibilities to these men who have fought for freedom, the President has shown his great determination that all of America can join in the battle against poverty, disease, and ignorance.

The President's concern for our fighting men and for our veterans has set a new high of interest. Thought-provoking recommendations are the keynote of this important message. It looks beyond the immediate necessities that we must afford our veterans to the future of the welfare of all citizens.

Following his historic message of last year, this new set of ground rules that he would like to see enacted provides us with an encompassing and comprehensive method for achieving the goals of the American people in expressing their appreciation to our servicemen.

I am pleased to note that the President is administratively enlarging on the programs that have already been enacted. The veterans of this Nation will find that the American people have responded to their sacrifices with benefits and programs befitting their devotion.

I shall give my wholehearted support to the President's program, and urge speedy enactment of his proposals.

Mr. FUQUA. Mr. Speaker, the President last year sent Congress the most comprehensive message on servicemen and veterans ever submitted by a Chief Executive. I am happy to say that I and all other Members of Congress supported the proposals contained in this message, which became law last August.

Now, President Johnson has sent us another message containing many more proposals for legislative and administrative actions to help our servicemen returning now as well as older veterans. I strongly support each of these proposed actions and especially approve the proposals to protect the pension incomes of our older veterans, and to seek recommendations that would make meaningful the right of burial in our national cemeteries.

Of great importance to younger veterans is the President's proposal to increase the VA's counseling of servicemen in Vietnam regarding their benefits even before they leave for home.

It should be continued and expanded. This counseling of about-to-be-discharged servicemen in Vietnam has been hailed as a most worthwhile project by the servicemen, and veterans organizations.

It was started when it became evident that modern methods of discharging fighting men back into civilian ranks left inadequate opportunity to inform them of the many benefits made available through Congress by a grateful nation.

In previous conflicts, lengthy stays at separation centers provided time for such indoctrination. Today's air travel places the serviceman back in his hometown

within days of his actual combat service.

At the President's instigation, the VA set up its first Vietnam contact and information center near the close of 1966.

The pilot program lasted 3 months and was immediately followed by the establishment of two other such centers.

At the end of the first 5 months the VA had counseled more than 50,000 men with some 10,000 receiving extra in-depth counseling at their own request.

As of the end of 1967, veterans benefits information and assistance has been given 220,000 combat servicemen in Vietnam.

Now we plan to improve on this auspicious beginning.

Mr. DORN. Mr. Speaker, the Congress has just been privileged to receive a message from President Johnson that outlined a series of progressive steps being taken by the executive branch in behalf of returning servicemen.

In the same message, additional legislative steps were outlined which are needed to carry out fully programs that are vital to veterans and to the Nation as a whole.

It seems apparent to me that the Veterans' Administration and the Department of Defense are using their existing prerogatives to the fullest extent in carrying out helpful, constructive programs in behalf of veterans. Ten administrative steps adopted during the past year merit our attention:

Servicemen about to return from Vietnam are counseled while still in the combat zone about the rights and privileges available to them.

Hospitalized veterans are counseled at bedside on vocational considerations and rehabilitation programs awaiting them.

Veterans Administration counseling is being extended to all military separation points in the United States.

In major U.S. cities, one-stop veterans assistance centers are being opened to give service to veterans in all the many areas in which they may need help during readjustment.

Disadvantaged youths who might otherwise not enjoy the privilege of military service are being accepted into the military and schooled so they may gain the advantages of training and the self-confidence that goes with it. The program is being doubled.

Concentrated preparation for return to civilian life is being given during the last few months of military duty to servicemen who have limited civilian skills and limited education. This program, Project Transition, is to be expanded.

Special help in job finding is being given servicemen by the Department of Labor, and monthly progress reports are required.

For veterans who agree to improve their education with GI assistance, civil service competitive examination is waived for the first five levels.

Medical training in the Veterans' Administration—now producing 26,000 medical specialists per year—will be expanded during the next 5 years to a rate of 100,000 per year.

Recommendations on the needs of veterans are being developed by an Advi-

sory Commission that has interviewed veteran leaders and rank and file veterans throughout the land.

Additional programs requested by the President are:

Increase servicemen's group life insurance maximum from \$10,000 to \$30,000.

Protect veterans from pension loss due to social security increases.

Up GI loan guaranty from \$7,500 to \$10,000. Permit part-time vocational rehabilitation for injured veterans.

Place three systems of cemeteries under VA.

Express, in a joint resolution, the sense of Congress with regard to a public-private job assistance program for veterans.

Enact a Veterans in Public Service Act that would stimulate the flow of qualified veterans into teaching disadvantaged youth.

I feel sure the Congress and the Committee on Veterans' Affairs will give these proposals their thoughtful consideration.

GENERAL LEAVE TO EXTEND

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the President's message on veterans' legislation.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

AMERICAN PROGRESS IN SPACE—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 246)

The SPEAKER pro tempore laid before the House the following message from the President of the United States; which was read:

To the Congress of the United States:

This report details a year—and climaxes a decade—of American progress in space.

On January 31, 1958, a 31-pound Explorer I was fired from a Jupiter C rocket with 150,000 pounds of thrust. Ten years later, on November 9, 1967, a 280,000-pound Apollo payload was launched into orbit by a Saturn V rocket with 7.5 million pounds of thrust.

In the time spanning those two events, the United States has placed 514 spacecrafts in earth orbit. Twenty-eight others have been sent on flights to the moon or distant planets.

The technology amassed through those expeditions has justified this Nation's commitment to conquer the challenge of space. It has encouraged us to lift our eyes beyond our initial goals and plan for the decade ahead.

The fruits of that technology have not been limited to space exploration alone. The knowledge built through our space program has benefited our earthbound lives. It has:

Revolutionized our communications throughout the world;

Given us better weather information and more accurate navigational and geographic data;

Brought improved medical instruments and techniques, advanced education, and added to our store of scientific knowledge;

Spurred the development of more sophisticated aircraft and improved flight safety;

Strengthened both the security of this Nation and our leadership in the search for a peaceful and secure world.

We can look with confidence to an expansion of these benefits as our space program moves into its second decade.

Our accomplishments thus far point to the path of progress ahead: fuller observations of the earth, increasingly productive manned flights, and planetary exploration.

The year 1967 itself began with a major tragedy. Three of our gallant astronauts died in a fire while testing the Apollo capsule on the launching pad. Even as we saluted these men for the contributions they had made, we moved to improve the spacecraft as well as the safety procedures surrounding its use.

But though the year was shadowed by that disaster, its accomplishments significantly advanced our progress. The Saturn-Apollo flight in November was the greatest launch triumph to date. As the result of our success in photographing lunar landing sites, we have for the first time a complete mapping of the moon.

It is most heartening to me that our space program moved forward in a spirit of international cooperation, giving new hope that the conquest of space can contribute to the establishment of peace. Eighty-four nations participated in cooperative space activities with us. The Outer Space Treaty went into effect, after Senate approval. The United Nations unanimously recommended a procedure for the emergency rescue and return of astronauts and space equipment. I shall shortly be sending that treaty to the Senate.

It is with pleasure that I transmit this record of achievement to the Members of Congress, whose judgment and support have been essential to our aerospace progress.

LYNDON B. JOHNSON.

THE WHITE HOUSE, January 30, 1968.

The message, together with the accompanying papers, was, without objection, referred by the Speaker pro tempore (Mr. ALBERT) to the Committee on Science and Astronautics and ordered to be printed with illustrations.

CONSUMER CREDIT PROTECTION ACT

Mr. BOLLING. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 1043 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 1043

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 11601) to safeguard the consumer in connection with the utilization of credit by re-

quiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes. After general debate, which shall be confined to the bill and shall continue not to exceed three hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit. After the passage of H.R. 11601, the Committee on Banking and Currency shall be discharged from the further consideration of the bill S. 5, and it shall then be in order in the House to move to strike out all after the enacting clause of said Senate bill and insert in lieu thereof the provisions contained in H.R. 11601 as passed by the House.

The SPEAKER pro tempore (Mr. ALBERT). The gentleman from Missouri [Mr. BOLLING] is recognized for 1 hour.

Mr. BOLLING. Mr. Speaker, I yield 30 minutes to the gentleman from Ohio [Mr. LATTA] and, pending that, I yield myself such time as I may consume.

Mr. Speaker, this is an open rule providing for 3 hours of general debate. To the best of my knowledge, there was no opposition to the rule. The bill itself, however, is controversial. There are four supplemental views and at least one minority view. I understand there will be a considerable tussle over one or two amendments, but in the light of the fact that there is no opposition to the rule, I now yield to the gentleman from Colorado [Mr. ROGERS] for a parliamentary inquiry or two.

Mr. ROGERS of Colorado. Mr. Speaker, the rule provides for amendments in the Committee of the Whole. On page 40 of the bill that has been reported, you will note, in section 2 thereof, that it deals with the question of restrictions of garnishment of wages. You will also notice that on lines 13 to 19 the language has been stricken out and beginning at line 20 and the balance of the page and on to page 42, line 17, there is an amendment to be offered by the Committee.

Mr. Speaker, my parliamentary inquiry is this: If the Committee of the Whole House on the State of the Union should adopt the amendment and thereafter when we come back into the House this amendment is rejected by the whole House, does that automatically reinstate lines 13 to 19, page 40, of the bill as reported by the committee?

The SPEAKER pro tempore (Mr. ALBERT). The Chair is prepared to respond

to the gentleman's parliamentary inquiry. If the House rejects the amendment striking out the language in the bill and inserting substitute language, the effect of the House rejection would mean that the language which the Committee of the Whole had intended to be stricken would remain in the bill.

Mr. ROGERS of Colorado. I thank the Speaker.

Mr. HALL. Mr. Speaker, would the distinguished gentleman from Missouri yield for a further parliamentary inquiry?

Mr. BOLLING. I shall be delighted to yield to the gentleman from Missouri for that purpose.

Mr. HALL. Mr. Speaker, a further parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state his parliamentary inquiry.

Mr. HALL. Mr. Speaker, assuming the same basic assumption as stated by our colleague, the gentleman from Colorado [Mr. ROGERS], would amendments to the committee amendment if accepted in the Committee as a Whole, be subject to a separate vote?

The SPEAKER pro tempore. The answer to the parliamentary inquiry as propounded by the gentleman from Missouri is in the negative. The answer is "No."

Mr. HALL. I thank the Speaker pro tempore.

Mr. BOLLING. Mr. Speaker, I yield to the distinguished gentleman from Texas [Mr. PATMAN] for the purpose of propounding a unanimous-consent request.

PERMISSION TO REVISE AND EXTEND

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that all Members participating in the discussion during general debate and on all amendments that are discussed while the House is in the Committee of the Whole House on the State of the Union be permitted to revise and extend their remarks and to include therein relevant extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. LATTA. Mr. Speaker, I yield myself such time as I may consume.

(Mr. LATTA asked and was given permission to revise and extend his remarks.)

Mr. LATTA. Mr. Speaker, at the outset may I say that I agree with the statements just made by the gentleman from Missouri [Mr. BOLLING]. There is absolutely no opposition to the granting of this rule. As a matter of fact, the Committee on Rules became real liberal and gave this committee an extra hour of debate time. They asked for 2 hours, we gave them 3.

However, Mr. Speaker, let me say that there is some opposition to this bill, particularly with reference to a couple of amendments that will be offered. During the hearings before the Committee on Rules I raised a question with reference to garnishment. We find on page 40, and the following pages, a title dealing with garnishment of wages. The question is,

Does the matter of garnishment belong in an interest bill?

Mr. Speaker, most Members of the House will undertake to provide protection from high interest to the individual who goes out and purchases on credit.

However, I doubt whether Members want the Federal Government to enter the garnishment field.

Mr. Speaker, it seems to me that a garnishment title does not belong in this bill. I say this as most of our States—and it is my recollection that this fact was pointed out before the Committee on Rules—with the exception of two or three, have their own garnishment laws which give protection to wage earners through various exemptions.

Mr. Speaker, it seems that this particular provision is just out of place in this bill, that we should not be setting up a section dealing with the garnishment of wages on the Federal level.

Mr. Speaker, I would hope that when we go into the Committee of the Whole House on the State of the Union that this matter will be discussed more fully.

The only reason, Mr. Speaker, that was given to the Committee on Rules for the insertion of this title in this bill was the fact that the number of personal bankruptcies has gone up in recent years.

This is completely and totally unrelated to the question of whether or not the Federal Government should get into the matter of garnishment of wages.

The purposes of this bill are, first, to provide the American consumer with truth-in-lending and truth-in-credit advertising by providing full disclosure of the terms and conditions of finance charges both in credit transactions and in offers to extend credit; second, restricts the garnishment of wages; third, establishes a National Commission on Consumer Finance to study and make recommendations to the Congress and to the President on the functions and structure of the consumer finance industry, as well as consumer credit transactions generally.

Title I of the bill provides for full disclosure of credit charges, rather than regulation of the terms and conditions under which credit may be extended. The committee believes that such full disclosure would aid the consumer in deciding for himself the reasonableness of the credit charges imposed and further permit the consumer to "comparison shop" for credit.

Two exemptions are provided to this requirement. They are, first, revolving; open-ended accounts; and second, installment contract accounts. To distinguish: a revolving, open-ended account means that more items can be purchased from time to time. At the end of the "free ride period" generally from 30 to 60 days, a service charge is assessed on the account on a monthly basis, usually 1½ percent per month. An installment account is closed-ended, which means that it is for a set length of time, covering a particular purchase, payments generally made monthly in a fixed, certain amount.

The other exemption provision pertains to closed-ended transactions where the finance charges for the year will not exceed \$10. As a practical matter, this would exempt from the bill those

consumer credit transactions where the normal annual rate was 18 percent—1½ percent per month—and the amount of credit involved was approximately \$100 or less. The aim of this exemption from the bill is to relieve small merchants from providing annual rate disclosure on small credit transactions where the apparently high rate might discourage consumers.

The committee believes that full disclosure of the terms and conditions of credit charges will encourage a wiser and more judicious use of consumer credit. The committee also believes that the comparable standards of full disclosure of rates on an annual basis should be applied to the advertisement of credit transaction. For the revolving-type account, the full disclosure provisions will require information about the length of the charge-free period, and other conditions of the credit contract including the method used to determine the balance upon which the monthly finance charge will be levied.

Title I would provide consumers with greater knowledge of the full cost of credit to assist many families in a more satisfactory management of their credit.

Finally, title I provides for the promulgating of regulations covering full disclosures and the administration and enforcement of the program. The Board of Governors of the Federal Reserve System is to be the central single agency for issuing all regulations on credit disclosure or on the advertising of credit to insure a single set of overall standards applicable for all forms of consumer credit, while agencies already having expertise in the affected industries will be responsible for the application of such regulations to each of those industries.

Penalties are provided. Any injured consumer can bring a civil action against his creditor who failed to fully disclose credit terms and recover a judgment equal to twice the finance charges, with a minimum penalty of \$100, a maximum of \$1,000. The Attorney General may institute criminal action where there is evidence of willful presentation of false information which is required to be disclosed.

Title II, with respect to the garnishment of wages. The first \$30 per week of earnings may not be garnished by a creditor. Of the earnings above \$30 per week, only 10 percent may be subject to a garnishment. The bill also forbids an employer to fire an employee because of a single garnishment.

Title III provides for the establishment of a bipartisan National Commission on Consumer Finance, and would be composed of nine members: three members from the Senate appointed by the President of the Senate; three members of the House appointed by the Speaker of the House; and three public members to be appointed by the President of the United States. The Commission is called upon to study the structure and functioning of the consumer finance industry, as well as consumer credit transactions generally, and report its findings, recommendations, and conclusions to the Congress and the President by December 31, 1969.

Mr. Speaker, I yield back the remainder of my time.

(Mrs. SULLIVAN (at the request of Mr. BOLLING) was granted permission to extend her remarks at this point in the RECORD.)

Mrs. SULLIVAN. Mr. Speaker, I urge approval of the resolution calling for an open rule on H.R. 11601, the Consumer Credit Protection Act. The Committee on Banking and Currency does not ask for closed rules. We believe our bills should be brought before the House in such manner that the House can work its will on them in a free and democratic manner—hopefully, of course, with a Democratic result, too, if it is a party issue.

This, however, is not a party issue—or should not be one. I am proud to say that the Democratic Party platforms have continuously called for enactment of the kind of legislation contained in this bill, and that a great member of the Democratic Party in the other body, former Senator Paul H. Douglas, of Illinois, pioneered this issue and doggedly pushed for its adoption through many long years of seemingly hopeless effort. We are about to vindicate his vision and foresight and pass this monument to a great Senator's record in Congress.

But the 30-to-1 vote by which the bill was reported from the committee plus the solid support I received from the very beginning from a Republican cosponsor of this bill in the subcommittee, the gentleman from New York [Mr. HALPERN], demonstrate that both parties have a great stake in working for the consumer. After all, both parties are composed only of full-time consumers who wear other labels only part of the time.

This is not a consumer versus business issue, either. The support from legitimate business for the major provisions of H.R. 11601 has been most heartening and also very effective. Those firms which are engaged in consumer credit have special interests in, or problems arising out of, individual specific provisions of the legislation, but on the whole—and looking back on a very comprehensive hearing record taking up two full volumes—I do not remember any hostile testimony whatsoever on the objectives of the legislation, and only a few letters or telegrams voicing indignation over the whole idea.

I want to take this time on the rule in order to explain briefly what the parliamentary situation will be when the bill is before us. We will be considering the bill as originally introduced on July 20, along with many committee amendments thereto. Each of those amendments will be brought up separately, although several relate to one specific issue and I hope can be considered en bloc.

During the many months this bill has been of top concern to consumers and businessmen, the Members have received numerous letters and telegrams on some of its controversial aspects. Four provisions of the original bill which instigated a sizable volume of mail were put into the bill primarily for the purposes of raising some neglected but important issues which deserved attention in hearing. We did take testimony on them, as I had intended, and then I, as the principal sponsor of the bill and as the chairman of the subcommittee

handling it, moved to delete those four highly controversial sections from the bill.

They were:

First, the proposal for standby credit controls in periods of grave national emergency. Our committee recommended such legislation as an amendment to the Defense Production Act extension bill 2 years ago, and we were chided then for putting it into a bill without holding hearings. Well, this time we did hold hearings. We developed an impressive record, I believe, on the lack of economic preparedness legislation in being and ready for a wartime emergency, but we are not now asking the House to vote for such controls. Instead, one of our committee amendments, which I offered in subcommittee and which was unanimously approved, will delete this section from the bill. It is on pages 28, 29, and 30. It will come out unless the House should suddenly decide it wants to join me in writing these standby powers into law against future contingencies. Up to now, however, I have received no indication of that.

Another highly controversial section in the original bill is also on page 28—giving the Federal Reserve Board the authority to set margins on commodity futures trading as it now does on stock market transactions. That, too, is slated to be deleted through a committee amendment. So do not worry about that one. If I may say so, however, I think our hearings on this subject helped to speed action in another committee of the House on a long-pending measure to strengthen the Commodity Exchange Act. In the previous Congress, I think I was the only Member of Congress to testify for such a bill, which got nowhere. This time it has passed the House and also, on January 23, the Senate. I think that just scheduling some hearings in the Banking Committee on commodity futures margins helped to speed action on the long overdue reforms in the Futures Trading Act, particularly since there is nothing in that bill dealing with margins.

The third highly controversial provision in H.R. 11601 as originally introduced is on page 21 and deals with usury—it would set an 18-percent ceiling on interest or finance charges except in those States which have lower ceilings. That is coming out by committee amendment, too, unless we should see some greater interest in this subject now than we did during the hearings. And fourth is the provision dealing with confession of judgment notes, also on page 21. All four of those items are to come out.

The other committee amendments are divided between minor technical ones and some very, very important substantive ones. The Members will have a chance to vote all of them up or down, or to try to modify them.

Two of them I will strongly oppose, because I consider them completely destructive of the purposes of the bill. They are the revolving credit exemption and the \$10 exemption, both of which I will discuss in detail in my remarks in general debate and also under the 5-minute rule. They are extensively discussed in the committee report and in all of the supplemental views.

The parliamentary situation as I understand it will be this: when those sections are reached in the bill, I will not offer any amendments dealing with them; instead, I will rise in opposition to the committee amendments. So those who plan to help and support me should be on notice: it is not an amendment of mine which they should be supporting, but rather a committee amendment on which I hope they will join me in voting "No."

If we lose on the revolving credit fight in the Committee of the Whole House—and I do not see how we can now, with so many business groups objecting to the discriminatory aspect of the revolving credit exemption won by the department stores—but if we lose in Committee of the Whole, this issue will certainly be made subject to a rollcall. Those Members who would rather not have to choose in a rollcall vote between their department stores on the one hand and the banks, finance houses, independent merchants, and all the consumers on the other hand, can solve their problem just by getting in the "No" line in the teller vote and helping to kill this thing in Committee of the Whole.

The same is true on the \$10 exemption amendment. I will oppose it and try to defeat it. If we defeat it in Committee of the Whole, that will end it. If we do not, then there will be a rollcall on it in the House. This is the "loan shark" amendment. The minority leader has told us he wants to end loan-sharking by authorizing Federal agents to enforce the State usury laws. Well, how will anyone know whether he has been overcharged and complain about it if he cannot find out the rate he is being charged for a small loan? The "loan shark" committee amendment covers up that information—withdraws it from the borrower. Vote it down in Committee of the Whole and strike a blow against loan-sharking. Otherwise, as I said, the roll will be called and we can have the chance to kill it out loud.

Except for those two amendments, the bill is a good bill—a strong bill. Anything in it which is going to create any serious problems for any businessman—and I do not know of any—can be ironed out in conference or handled administratively through the broad powers given to the Federal Reserve Board to issue regulations after full hearings. But these two items would not be negotiable in conference or in hearings before the Federal Reserve Board on the regulations—the two loophole exemptions adopted in committee. That is because they are already in the Senate bill. Therefore, we must defeat the revolving credit exemption and the \$10 exemption here in the House or they will go into the final version of the bill without any chance to change them. So that is the parliamentary situation as I understand it.

From the mail I have received and the mail I know many of the other Members are receiving, few votes the Members could cast would please more of their constituents than a vote to end the subterfuges and deceptions in the cost of credit, including those pesky service charges from the department stores which are assessed at a rate of 18 percent a year on the unpaid balances.

Nothing makes people madder than to check this out and find out how they have been misled on these rates.

Consumers are tired of being the mouse in a game of cat and mouse on credit charges which they do not understand and which they cannot talk to the computer about. If the Members have any doubts on this, they have time between the adoption of the rule today and the votes we are going to have on this bill on revolving credit to get some expert advice from their very best experts on this subject: that is, from their wives. So I say to the Members: ask your wives how much the credit charge is on the department store bill which was not paid on the due date because you were out of town and did not see it. Ask your wives what the percentage rate was. Was it 1½ percent a month? And is that not 18 percent a year? Ask her.

On second thought, do not ask her unless you really intend to vote against the revolving credit amendment, or she will know you did not really want her informed opinion.

Mr. BOLLING. Mr. Speaker, I have no further requests for time.

Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. PATMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 11601) to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes.

The SPEAKER pro tempore (Mr. ALBERT). The question is on the motion offered by the gentleman from Texas [Mr. PATMAN].

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 11601, with Mr. PRICE of Illinois in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Texas [Mr. PATMAN] will be recognized for 1½ hours, and the gentleman from New Jersey [Mr. WIDNALL] will be recognized for 1½ hours.

The Chair recognizes the gentleman from Texas [Mr. PATMAN].

Mr. PATMAN. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, this is a very important and far-reaching bill, and therefore it naturally is controversial. It concerns itself primarily with disclosure of finance charges including interest. Interest costs involves, of course, is paid on about \$96 billion of consumer credit for example. Interest payments are made on hundreds of billions of dollars in our economy. Interest charges represent one of the largest considerations in our national budget.

You take, for instance, our Federal budget has a No. 1 charge, cost of preparedness, national security, and war costs. The second item in our national budget is interest costs. It is the second largest item, and where it is so important to the remainder of the budget is because whatever is charged in the way of interest is taken off the top. Interest costs comes first. It has to be paid first.

If there is too much interest charged and the average rate paid for interest is too much, other items in the budget will have to be either reduced or omitted entirely.

You take for instance, it is my belief, and I have demonstrated it here on the floor many times, if we were paying a fair rate of interest on the national debt today, as we did for 14 years—if we were paying just the same rates we paid during that time, we would only be paying \$7 billion a year interest on the national debt. But instead of that, next year we will be paying \$15.2 billion because of the increase in interest rates in recent years.

Something that is more shocking even than that is that when the recent increases are reflected in the national debt by the refunding of bond issues that receive a smaller rate of interest, we will be paying \$21 billion a year in interest on the national debt. That will not be long—that is in the foreseeable future.

So the question of interest enters into our considerations not only in consumer credit, but most important in our national economy and our various social programs.

There are some people in our country who are against any of these social programs. These people have tried to convince the Congress that we ought to just absolutely eliminate them and not have them at all.

Well, the Congress has not convinced. The Congress went ahead on the social and welfare programs just the same because they are so worthy and deserving and helpful to the economy.

Then some of those people—and not all of them I am sure—took the position that if we could in some way raise interest rates, then the Congress would not have that much money to appropriate for these general welfare and social security bills and legislation for welfare and social purposes. They look with great favor on interest rates going higher because it is taking away money which would have been available for the Congress to use in general welfare and social security programs. They look with great favor on that, doubtless, and particularly in view of the fact that they are

the ones who are collecting a large part of this additional money.

Therefore, it was not a difficult matter for them to be for that.

Now when it has reached staggering proportions like that, we must give consideration to it.

Our total public and private debt today—the best estimate that we can get—fortunately does not run into the quadrillions. But it does run into the trillions. The aggregate amounts represent a trillion 500 billion dollars. That means that every time we raise interest rates 1 percent—it means that the American people must pay \$15 billion a year, each year, for that increase in interest rates.

That has a tremendous effect upon our economy. A few years ago—or 2 years ago to be exact—there was an increase of 1 percent in FHA rates. Every person who was buying a home at that time—let us say for \$25,000 over a 30-year term—it meant that that person who was buying that home with that increase of 1 percent, it would cause him to have to pay \$4,600 extra over that period of time in order to take care of just that 1 percent.

Taking into consideration the fact that at that time the median income was \$4,600—in other words, the average family received \$4,600—it meant that the average wage earner was compelled to work a whole year extra just for nothing, just in order to pay that 1-percent increase.

So it runs into real money over a very short period of time. If we had kept our interest costs on the Federal debt at \$7 billion, as we could have—we know we could because we did it before for 14 years—we would have \$8 billion more this year, and the same is true practically of last year, to spend for any other purpose. But we do not have it. This amount is unnecessarily going for interest rates and that is stopping other programs.

We heard and read a great deal about the moneychangers in the time of Christ. I am not directing my remarks at any particular financial institution or institutions. But the moneychangers in the time of Christ were amateurs. They did not know anything compared to the different methods that are being used now to charge exorbitant and usurious interest rates of the people. We have more devices and ways of extracting money from the consumers of America than we ever had before. They are all ruinous to the consumer. Every time you take a dollar from a consumer for unnecessarily high interest rates, you deprive the economy of a great benefit.

Let me remind you that in 1964 this House and the other body passed a bill, which became a law when the President signed it, declaring that we would reduce excise taxes on the very poor people, that is, on the items that the very poor people were buying and on which they were paying an excise tax, thereby letting the poor people keep the money themselves and spend it as they desired rather than paying it in taxes.

Many of our critics said that it was going to cause a huge deficit in the Treasury. Instead, the people used that money, which amounted to a few bil-

lion dollars. They put it into the channels of trade and distribution immediately because they needed goods and services that they had to buy quickly.

That dollar which was spent locally traveled around that little town, six, eight, or 10 times and then it went to some national concern in Chicago, New York, or some other metropolitan center. It traveled all over the country, and at the end of the year that average dollar traveled through 50 different transactions, and in every transaction there resulted a little income tax. For that reason, at the end of the year, we did not have a deficit of billions of dollars as a result of the excise tax reduction, as was predicted, but we had an increase in taxes. For every \$1 billion that we reduced those taxes we collected back \$1.5 billion because of the transactions about which I just told you.

Therefore, whenever you let poor people keep money and spend it as they want to, it helps the entire economy. It travels around. It percolates up. Everyone gets the benefit of it, the very rich as well as the very poor. Every person should have a chance to get the benefit of it.

But if you are going to change our economy, so that instead of that money being circulated among the poor and letting everyone get the benefit of it, if you would pour it in at the top with big interest rates, you will find that it will not trickle down. It will go through just a very few transactions a year. Perhaps it will go into the first big bank or big business, be placed on their books, and it would remain there. There would be no percolating up or trickling down. So you would not get as much benefit. The poor people would not get any benefit from it at all; whereas, when the money is permitted to percolate up, the poor people, as well as the rich, get the benefit. That is the difference. So we must watch these exorbitant rates.

They are detrimental to individuals and to the general welfare of the country. One of the worst things we have to deal with in our country is exorbitant charges of interest known as loan-sharking. The New York Times has had some wonderful articles about loan-sharking, including one this morning, about the danger of corruption. It is next to gambling in the damage done to our people. It is next to gambling in concentration of large amounts of illegal money that can be used for illegal purposes and for injuring the general welfare in order to enrich a few who have charge of it.

Hoodlums and gambling are siamese twins. They go together. Big interest rates and big gambling are tailor-made for the hoodlums. So when we do something to stop this exorbitant usurious interest, we are doing something against hoodlums and in the interest of the general welfare of the people.

Whenever we permit hoodlums to operate this way, we permit them to use large sums of money for the purpose of corruption and for the purpose of dishonest schemes and methods.

They even get into politics with it occasionally. Now and then they have something that is very hurtful to the

people, by getting people involved in politics who have the right and the power to make decisions for or against the people. They want decisions against the people and for the hoodlums.

We have a wonderful country. We should not let either gambling or loan-sharking be a major threat to the safety and security of our country. But they are definitely a major threat now to the security of our Nation. We must stop it.

I cannot conclude without paying tribute to our former colleague, Paul Douglas, who started this fight 8 years ago.

I predict this bill will become law. It is a good bill, and in the end right will prevail. Our system of government is great. If the House passes a bill that is different from the Senate, we select conferees from the House, and the Senate selects conferees from the Senate.

We meet halfway between the two bodies, in a room provided for that purpose. We take up each bill. Where there are differences between the two Houses, we agree on something that will reconcile those differences if we can.

In the end we have a bill that every member of that conference committee approves of. We bring it back to the House and get it adopted. It is sent to the Senate. It is adopted there. It goes straight to the President of the United States. He signs it. It becomes a law.

So any of the bad points in this bill that should be ironed out or reconciled or changed, I feel reasonably certain, under the parliamentary procedures we have, which will be used, will be taken care of, since our procedures are instrumental and helpful in doing that.

I hope that this bill will be enacted into law, and I hope it will be voted by this House in particular by a very strong and substantial majority when it comes before the House for consideration and final vote this week.

Mr. Chairman, I now would like to discuss some of the specific provisions of this milestone legislation.

Mr. Chairman, today, the House of Representatives opens debate on the Consumer Credit Protection Act, a major plank in the 90th Congress' bill of rights for the American consumer.

This legislation—contrary to the smokescreens spread by its opponents—is simple and clear.

Is the American consumer entitled to know exactly—without any ifs, ands, or buts—what he is paying for credit?

Surely this is a question that the 90th Congress can answer in the affirmative.

Mr. Chairman, the Consumer Credit Protection Act is not a piece of legislation which affects only a handful of people or an isolated sector of our population. It provides protection and the truth about credit for virtually every single American family.

Today, consumers in this country are paying more than \$13 billion annually in interest on nearly \$96 billion worth of consumer debt. Practically every family—except the most wealthy—is paying on a share of that \$96 billion.

So, Mr. Chairman, we are talking about protection for the constituents of every single Member of this House of Representatives.

Before going into the substance of this bill, it seems appropriate to add a few words about the great American who originated and fought for adoption of this kind of legislation.

No discussion of this legislation can properly proceed without an acknowledgment of the debt we all owe to former Senator Paul Douglas for his pioneering fight on behalf of truth in lending. While that fight is not yet won, we recognize that, but for his vision, we might not have the opportunity presented to us today in taking action on this vital legislation.

I believe it is further appropriate at this time to commend for your attention the 2 weeks of intensive hearings on this bill conducted by the Consumer Affairs Subcommittee of your House Banking and Currency Committee. The very design of this legislation and the excellent set of subcommittee hearings were carried out under the able and imaginative leadership of the subcommittee chairman, the gentlelady from Missouri, Congresswoman LEONOR K. SULLIVAN.

The bill that was reported out of the Banking and Currency Committee is a much stronger piece of legislation than was passed in the other body by a 92-to-0 vote. It contains some important features, such as a truth-in-advertising section, an administrative enforcement section, a limitation on the garnishment-of-wages section and the inclusion of credit life insurance as part of the finance charges, that S. 5 did not have.

However, Mr. Chairman, if we are to make this a true bill of rights for the American consumer, we must make sure that we are providing for the full truth on all credit transactions. This means, Mr. Chairman, that we must include the credit charges and interest rates involved in what is generally called revolving credit—the big department store credit.

It also means that we must not provide a loan-shark-type exemption for the smaller credit purchases and loans. In short, we must not allow an exemption for credit and interest charges under \$10 to slip through in this legislation. Unfortunately, this exemption—or loophole—has been misnamed "The \$10 Exemption." In reality, it covers virtually all purchases and loans up to \$100. The \$10 refers to the credit charges, not the total purchase or loan.

Mr. Chairman, there are still millions of Americans who regard \$100 as a lot of money. Quite obviously, this loophole would hit the low-income and the moderate-income family the hardest. In other words, we would be providing disclosure of the annual rate for the rich and depriving the poor of this same protection.

It would be sad, indeed, if the Congress were to pass the rest of this bill and, at the same time, leave a tremendous loophole in this legislation which adversely affects the poor and low-income family more than any other provision in this bill.

Mr. Chairman, I shall discuss, in detail, other sections of this bill. But at this point I want to emphasize my support for the provision of this bill which

prohibits abuses in connection with the garnishment of salaries.

In many areas of the country, the garnishment of salaries to collect debts has virtually destroyed the lives of wage earners and their families. It has meant thousands of personal bankruptcies and job dismissals.

The provisions of this legislation would give the poor—the low-income family—badly needed protection against the obvious abuses in the garnishment of salaries. It would prevent the loss of jobs and the welfare costs which invariably follow such dismissals.

Mr. Chairman, the garnishment provisions of this bill are fair to the creditor and the wage earner alike. It is a humane way to treat a desperately human problem. These provisions are virtually identical with those which are now in practice in the New York State law. They are, I repeat, equitable to all concerned.

Mr. Chairman, now I would like to discuss the major points of H.R. 11601:

TITLE I—TRUTH IN LENDING AND CREDIT ADVERTISING

I do not believe that it is necessary for me to spread upon this record further evidence of the need for this legislation than may be found in the 7 years of hearings conducted in the other body, as well as in the two volumes of hearings of the Consumer Affairs Subcommittee. While the growth of consumer credit since 1945 demonstrates both the health and vigor of our economy, consumer credit has grown at a rate $4\frac{1}{2}$ times greater than the growth rate of our economy. As of September 1967, total consumer credit has soared to almost \$96 billion. At the present time, American consumers are paying approximately \$13 billion a year in interest and service charges for this credit. This is roughly equivalent to the amount of interest paid annually by our National Government as interest on the national debt.

While we all recognize the significance of consumer credit in the growth of our economy, we would all wish to insure the judicious and intelligent use of such credit. Actions to regulate have been taken only in the case of extreme emergency. We have preferred—and history seems to justify the wisdom of that preference—to permit the marketplace to do the regulating for us. However, regulation by market forces assumes the relative equality of the parties in the market and further assumes equal access to pertinent information by such parties.

Title I of your committee's bill is designed to provide the American consumer with the information he needs to make the marketplace an effective regulator in the conduct of consumer credit transactions. What we seek to accomplish under this title is to assist the consumer in comparison shopping for credit. We seek to apply to all merchants the same criteria for disclosure of the terms and conditions under which finance charges will be imposed on consumer credit transactions. Unfortunately, such uniformity does not exist today. State disclosure requirements where they exist are by no means uniform. Lenders and mail-order houses operate across State lines, frequently not subject to any effective disclosure requirements.

With regard to rate disclosure, some creditors employ an add-on rate which is measured on the original balance of the amount of credit extended, rather than on the declining balance. This add-on rate has the effect of understating the effective rate to the consumer by approximately 50 percent.

Some segments of the credit industry quote rates on a monthly basis, while others quote rates on an annual basis. Although it may seem a simple matter to multiply a monthly rate by 12 in order to provide the annual rate, surveys conducted among consumers indicate that many people are not aware of the true cost of credit when it is expressed on a monthly basis.

Some creditors add a number of additional fees or charges to the basic finance charge. Such fees include credit checks, credit life insurance, and various other service charges. This device permits creditors to quote a relatively low rate, while actually collecting a much higher amount through the imposition of these additional fees and charges. In some cases consumers are quoted no rates at all on credit transactions, leaving it to the consumer himself to compute the rate if he desires to comparison shop for credit.

Significant segments of the population are misled by the manner in which the terms and conditions are offered and contracted for, as well as by the manner in which credit is advertised. Misleading practices engaged in by a minority of unscrupulous merchants and lenders fail to adequately disclose the credit terms offered to buyers in making purchases in obtaining loans. This failure of adequate disclosure tends to increase the uninformed and untimely use of credit by the public, adversely affecting economic stabilization, increasing inflationary pressures, and decreasing the stability and the value of our currency.

In your committee's view, the solution to these problems is to require by legislation that all creditors use the same method of computing and quoting finance charges, including a statement of the annual percentage rate. The disclosure requirements contained in your committee's bill, both with regard to credit transactions and credit advertising, will basically provide the American consumer with the information he needs to compare the cost of credit and to make an intelligent decision on the use of credit.

TWO EXEMPTIONS TO FULL DISCLOSURE

The bill as approved by a majority of the committee, contains two exemptions to annual rate disclosure in connection with consumer credit transactions:

REVOLVING CREDIT

The basic disclosure concept contained in the proposed legislation is to require lenders and merchants to provide consumers with a statement of the "finance charge" imposed by the creditor in connection with the particular consumer credit transaction. In addition to the statement of the finance charge in dollars, the creditor is generally required to state the finance charge as an annual percentage rate; however, a majority of your committee believes, with regard to

"open-end credit plans" or "revolving charge accounts" as they are more commonly known, that the statement of an annual percentage rate would not accurately reflect the credit charges actually imposed upon such transactions.

The majority of your committee believes that while the monthly rate applied to a revolving charge account may be 1.5 percent a month, the particular schedule of payments and purchases, combined with the so-called free ride, does not justify the expression of that monthly rate as an annual rate of 18 percent per year. Revolving charge accounts most frequently contain a free ride during which no finance charge is imposed. This period may vary from 30 to 60 days.

A substantial minority of the committee believes, however, that the exemption is premised on confusion of the concepts of "yield" as opposed to "rates." In their view, if the nominal monthly rate applied is 1.5 percent, the nominal annual rate applied must be 18 percent, although the yield to the creditor may be more or less than the nominal annual rate. In their view, the disclosure of the nominal annual rate is, nevertheless, necessary to assist the consumer in "comparison shopping" for credit under a revolving charge account, as opposed to other forms of credit transactions.

The amendment adopted by your committee thus exempts revolving credit from true annual rate disclosure. I know that the gentlelady from Missouri, Congresswoman SULLIVAN, intends to argue against this committee amendment. It is my intention to support her in those efforts in order to eliminate from this legislation a provision which, in my view, discriminates against consumers and small, independent businessmen, and in favor of large chain department stores.

TEN-DOLLAR FINANCE CHARGE EXEMPTION

Another, and perhaps more damaging, exemption adopted by your committee provides a further exemption from annual rate disclosure. This exemption applies to credit transactions where the amount of the finance charge does not exceed \$10. This amendment would exempt from annual rate disclosure consumer credit transactions where, for example, the nominal annual rate was 18 percent and the amount of the credit involved was approximately \$100 or less. The proponents of this amendment argue that the exemption would relieve merchants and lenders from the burden of providing annual rate disclosure in connection with relatively small and insignificant credit transactions.

The difficulty that I have with this argument is that a \$100 loan or a \$100 credit transaction is neither small nor insignificant for most American consumers. In fact, there are millions of credit transactions a year involving an amount of up to \$100. However, the proponents of the exemption further argue that small accommodation loans and credit transactions are frequently made by creditors where the fixed costs of the loan to the creditor would, if he were required to disclose them in the form of an annual percentage rate, reflect a rate so high as to discourage creditors from engaging in such transactions.

The proponents of this amendment

further contend that great injury would befall the consumers who depend upon these transactions were they to be discontinued by the creditors involved. However, the major proponents of this amendment have been the representatives of the banks. Dr. Charles E. Walker, of the American Bankers Association, presented the committee with an example of an accommodation loan where the annual percentage charge was 120 percent.

Mr. Stanley Barber, of the Independent Bankers Association, presented the committee with an example of an accommodation loan where the annual percentage rate was 260 percent. I can readily understand why these banks would be embarrassed to tell their customers that they were charging them this amount.

However, is that really an adequate justification for the Congress of the United States to create a special exemption from full disclosure? Why should those unfortunate consumers seeking such accommodation loans not be informed of the incredibly high rates they pay when making such loans?

Here again, it is my understanding that Congresswoman SULLIVAN will offer an amendment striking this exemption, which I intend to support.

TRUTH IN CREDIT ADVERTISING

The bill reported by your committee applies comparable standards of disclosure to credit advertising. Certain perfecting amendments to credit advertising disclosure have been adopted by the committee which basically improve and simplify the application of disclosure to credit advertising. Basically, the advertising provisions of the bill are premised upon the belief that a substantial portion of consumer purchases are induced by advertising and that if full disclosure is not made with regard to representations in credit advertising, the consumer will be deprived of the opportunity to effectively comparison shop for credit.

The responsibility for insuring truth in credit advertising is placed upon the creditor and his agents, and not in the media in which the advertising appears. It is our view that this places the responsibility where it belongs.

REGULATIONS AND ADMINISTRATIVE ENFORCEMENT

An important amendment adopted by your committee deals with the issuance of substantive regulations and administrative enforcement. All substantive regulations dealing with disclosure of the terms and conditions of finance charges in credit transactions or in the advertisement of credit are to be issued by the Board of Governors of the Federal Reserve System. This has been done so that a single set of comprehensive regulations will be issued to facilitate uniformity of application among the industries affected by this legislation.

Before finally promulgating its regulations, the Board, of course, will be required to hold full and open hearings giving all interested parties an opportunity to comment. Since administrative enforcement of the subject regulations will be allocated among various Federal agencies having particular responsibilities in connection with the affected in-

dustries, the Board must, of course, provide these agencies with ample opportunity to present their views on proposed substantive regulations.

Administrative enforcement provided in your committee's bill will insure uniform, broad, and effective application of the principle of disclosure. Administrative enforcement will not only afford necessary protection to the consumer, but will further protect the honest businessman from unethical forms of competition engaged in by some unscrupulous creditors who prey upon the poor through deceptive credit practices. Effective administrative enforcement will thus protect the honest merchant and insure that he is not penalized in the marketplace when he states the full cost of his credit in dollars and as a percentage rate.

The agencies having responsibility for administrative enforcement with regard to the industries coming within the scope of their activities are the Federal Home Loan Bank Board, the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Civil Aeronautics Board or the Federal Aviation Administration, the Interstate Commerce Commission, and the Department of Agriculture, with the Federal Trade Commission covering the remainder. In this manner agencies already having expertise in the affected industries will be responsible for the application of the law to each of these industries.

CIVIL AND CRIMINAL PENALTIES

While provision is made in the bill for civil and criminal penalties, it is anticipated that the major enforcement activities will be carried out under the administrative enforcement provisions. It should be noted that while credit advertising is covered under certain of the disclosure provisions of the bill, such advertising cannot provide the basis for a civil suit. This exemption has been written into the bill by your committee to avoid the possibility that anyone seeing an advertisement not complying with disclosure requirements would attempt to seek civil penalties.

EFFECTIVE DATE

In order to insure adequate time for the promulgation of sound regulations, your committee's bill provides that the legislation shall become effective 9 months after enactment.

Since some concern has been expressed with regard to the effect of the legislation on State law, it is perhaps advisable to briefly reiterate what is clearly set forth in the committee's report on this matter.

First, there is no intention to preempt State consumer credit legislation unless the State law is inconsistent with the Federal law, and then only to the extent of such inconsistency. Second—and of equal, if not greater importance—is the fact that the annual percentage rate required to be disclosed under the bill is not an interest rate and is in no way to be construed as interest rate within the meaning of various State usury laws. The definition of the term "finance charge" which provides the basis for the computation of the annual percentage rate clearly evidences this fact. The finance

charge is the aggregate of various charges imposed by the creditor and can under no circumstances be deemed comparable to an interest rate under State usury laws.

TITLE II—RESTRICTION OF GARNISHMENT

The basic statement of congressional policy upon which the restriction of the garnishment of wages is based is found in title II, section 201 of the committee's bill. It provides:

SEC. 201. The Congress finds that garnishment of wages is frequently an essential element in predatory extensions of credit and that the resulting disruption of employment, production, and consumption constitutes a substantial burden upon interstate commerce.

As originally introduced, the bill provided for a complete prohibition against the garnishment of wages. However, your committee had adopted an amendment which merely restricts such garnishment to 10 percent of an employee's earnings above \$30 a week, while prohibiting an employer from discharging an employee by virtue of a single garnishment of wages. The committee adopted this amendment because they believe that a total prohibition of garnishment would unduly restrict honest and ethical creditors while permitting those fully capable of paying just debts possibly to escape such responsibilities.

Furthermore, your committee exempts from the restriction on garnishment debts due to a court order arising essentially out of domestic relations cases, that is, for example, child support or alimony, and debts arising out of failure to pay State or Federal taxes.

Evidence received by your committee clearly establishes the connection between the rocketing increases in personal bankruptcies and harsh garnishment laws. Since 1950, personal bankruptcies in this country have risen by over 1,000 percent—from 18,000 in 1950 to 208,000 for the fiscal year ending June 30, 1967. Well over \$1 billion in consumer debts were canceled by virtue of these personal bankruptcies in 1967 alone.

There are those who contend that if we restrict the garnishment of wages, there will be a sharp cutback in consumer credit. However, available evidence demonstrates that this argument is false. States—such as my own State of Texas, Pennsylvania, Florida, and New York—have either abolished the use of garnishment or have laws similar to the one proposed here by your committee. The levels of consumer credit in those States are as high, if not higher, than they are in States having the harshest of garnishment laws.

Endorsement of the limitation on the garnishment of wages has been received both from industry and from the trade union movement. Major steel corporations, such as United States Steel, Republic Steel, and Inland Steel, have written to the committee supporting a restriction on the garnishment of wages. Their view was concurred in in testimony received by your committee from I. W. Abel, president of the United Steelworkers of America, and Pat Greathouse, vice president of United Automobile Workers of America, speaking both on

behalf of the UAW and the Industrial Union Department of the AFL-CIO.

The limitation on the garnishment of wages recommended by your committee, while permitting the continued orderly payment of consumer debts, will relieve countless honest debtors from going bankrupt in order to preserve their jobs or retain sufficient income to decently support themselves and their families.

TITLE III—COMMISSION ON CONSUMER FINANCE

Finally, your committee's bill calls for the establishment of a bipartisan National Commission on Consumer Finance, which will study the structure and functioning of the consumer finance industry, as well as consumer credit transactions generally, reporting back to the Congress and the President on its findings and recommendations.

As we have previously indicated, consumer credit is a rapidly growing and very vital factor in our domestic economy. We must understand more about it in order to legislate intelligently in this area. The proposed Commission should provide us with much of the basic facts we will need in order to fulfill our responsibilities in the years ahead.

H.R. 11601, the Consumer Credit Protection Act, is a landmark piece of legislation. It is an expression of the concern of Congress for the welfare of the people, for the protection of the poor and unsophisticated. It will protect consumers and insure equality of opportunity in the marketplace for businessmen seeking to meet the credit needs of our people.

While, as I have expressed to the House, I do not believe the bill is perfect in all respects, though I sincerely hope that we will be able to perfect it in the course of this debate, I urge its adoption by the House.

Mr. Chairman, I include several articles and one editorial which are pertinent to my discussion and this bill:

[From the New York Times Magazine, Jan. 28, 1968]

IF YOU ARE WILLING TO PUT UP YOUR BODY FOR COLLATERAL—JUST CALL "THE DOCTOR" FOR A LOAN

(By Fred J. Cook)

They call him "the Doctor." You will meet him, if such is your misfortune, in the swankiest nightclubs, his curvaceous young bride dangling on his arm. "Meet my friend, the Doctor," the maitre d' will say, performing the introductions. "The Doctor" is always most charming. A man in his fifties, he dresses like the owner of a million-dollar wardrobe. It is hard to imagine that he is in reality a hybrid—a species of spider-vulture who spins a web in which to enmesh his victim so he can pick clean the bones.

Though names cannot be used in this portrait, the Doctor (a nickname for unknown derivation) is no figment of the imagination. He exists. He is, authorities say, one of the largest and most vicious loan sharks operating in New York, just a step down the ladder from Carlo Gambino, probably the most powerful of the reigning chieftains of the city's five Mafia families. Detectives who get up with the Doctor in the morning and follow him through his daily routine until they put him to bed at night know the pattern of his days by heart—and are completely frustrated because he operates the safest and most remunerative racket in the underworld.

He has no visible means of support, but he has put up his new bride in an expensively

furnished mansion in one of the finer residential sections of the city. He never "works," as other humans know the term, but when he has been stopped and questioned by police, he has never had less than \$7,000 in sweet cash upon his person—and sometimes he has had as much as \$15,000. "You can never charge him with vagrancy," one prosecutor says, with a sour smile. Unlike a master bookie, he has no fixed headquarters, no elaborate telephone setup, no army of runners. He simply circulates. And in the best and most expensive places. And among the "best" people.

The far reach of such an operator was brought home to New Yorkers recently when former Water Commissioner James L. Marcus was indicted on charges of participating in a \$40,000 kickback scheme on a city contract. According to investigators, Marcus was in deep financial trouble on several fronts; not the least of which was a reported \$50,000 loan-shark debt to Mafia mobster Antonio (Tony Ducks) Corallo. Corallo was arrested with Marcus as his alleged partner in the kickback scheme. Later, two men were charged with taking part in a plot to murder a Government witness in the Marcus case. The episode, as reported, is similar to innumerable less publicized events in at least two ways: (1) The shark's victim was an intelligent, experienced person—professional people and substantial businessmen are the loan shark's favorite targets; (2) the victim found that when he was over a barrel with a loan shark, he was over a barrel with the Mafia—and that is being over a nasty barrel indeed.

The popular conception of the loan shark as a two-bit hoodlum lending \$5 on Monday and collecting \$6 the next—the typical "six for five" operative—is an anachronism bearing virtually no relation to current reality. As Sgt. Ralph Salerno, the now-retired racket expert of the city's Bureau of Criminal Investigation (B.C.I.), told the New York State Commission of Investigation in its loan shark probe three years ago: "No self-respecting loan shark . . . would ever want to admit even to his best friend, that he has loaned less than \$100."

At the same hearings, then Assistant District Attorney Frank Rogers, of New York County, testified: "A loan shark that we know lent a million dollars in the morning and a million dollars in the afternoon." Loan-sharking is so remunerative, he said, that one mob boss had pyramided \$500,000 into \$7.5-million in about five years—and there were, in New York County alone, "at least 10 men who are comparable to him."

The conclusion of all the expert witnesses was that loan-sharking is, on a national scale, a multi-billion-dollar resource of the underworld and that, while its gross take is less than gambling, it is preferred to gambling because it is so safe it almost defies prosecution.

This safety factor (which breaks down only when the shark is caught using violence to enforce collection or committing some other overt crime, as is charged in the Marcus case) is probably the reason that top mob bosses have been more openly connected with loan-sharking than with more risky enterprises, such as gambling and narcotics. Vito Genovese, the onetime boss of bosses, now in Federal prison, had nakedly obvious ties to loan-sharking, and the same is true of one of his principal deputies, Thomas (Tommy Ryan) Eboli. B.C.I. Deputy Inspector Arthur C. Grubert testified before the Commission of Investigation that his bureau had identified 121 master sharks in the five Mafia families of New York. He broke the figure down this way: 51 in the Genovese family; 37 in the Gambino family; 18 in the Profaci family of Brooklyn, now run by Joseph Colombo; 12 in the Luchese family; three in the family of Joseph (Joe Bananas) Bonanno.

Grubert made it clear that he was talking about only the two top echelons of the loan-sharking pyramid. There are, all investigators agree, four operating levels. On the top level is the family boss. Just under him are his trusted principal lieutenants. The lieutenants have their own subordinates to whom they funnel money for investment, and these third-echelon underlings, besides lending out much of it themselves, split up the rest of the money and pass it down to the fourth and lowest level, the working bookie and street-corner hoodlum. Sergeant Salerno gave a graphic description of the way it all works. He said:

"A big racket boss could have a Christmas party in his home, to which he invites 10 trusted lieutenants. He doesn't have to write their names down. He knows their names. They are friends of his. . . . He can take one million dollars, which is not an inconceivable amount of cash, and distribute that, \$100,000 per man to these 10 men. All he has to tell them is, 'I want 1 per cent a week. I don't care what you get for it. But I want 1 per cent a week.'"

"He does not have to record their names. He does not have to record the amount. They are easy enough to remember. And if you stop to think that, 365 days later, at the next year's Christmas party, the only problem this gang leader has is where he is going to find five more men to hand out half a million dollars that he earned in the last year on the same terms. . . ."

This usurious interest (the gang's chieftain's 1 percent a week becomes 52 per cent a year) is known in the trade as vigorish—or "the vig." (There is a theory that the term derives from the word "vicarage" and refers to the contributions given the vicar by his parishioners.) Naturally, the rate goes up as the money is filtered through the various echelons, and each takes its cut. On the second level, where the principal lieutenants dwell, the vigorish may amount to 1.5 or 2 per cent a week, and on the lowest operating level, where most ordinary loans are made, it will be 5 per cent a week—260 per cent a year. And the underworld, ruthless and insatiable, has a whole arsenal of neat devices by which even this horrendous figure can be hiked.

The Doctor is one of those top-level lieutenants who would be invited to the big chief's Christmas party. Only in his case, he would probably not be given a piddling \$100,000 to put to work, but something more like a million. "He is a big, big money mover," says one detective. "They trust him. He has hundreds of thousands of dollars working at any one time."

Rarely, if ever, does the Doctor participate in the direct lending of his hoard of cash. He works through his subalterns, parcelling out his share of the underworld treasury among as many as 30 underlings on the third echelon of the pyramid; they make the actual loans and collections and, in turn, put some of the money to work through street-corner bookies and hoods. Under such circumstances, life for the Doctor becomes one unvarying round of seemingly innocent social contacts.

Since he is a late-nite man-about-town, the Doctor hardly ever rises much before noon. He may then have a late brunch with his bride, daughter of a Mafia chieftain, and then he will get into his Cadillac and begin his rounds. His first stop is almost invariably at the home of his former, divorced wife with whom he apparently maintains amicable relations. Detectives theorize that the former wife's home is probably a contact point at which he picks up messages or cash that may have been left for him. After a short stay here, the Doctor drives on to a small business office that he maintains as an ostensibly legitimate front. Detectives have been unable to discern any real business being conducted here, and they deduce that the office serves as another contact point.

After the office stop, the Doctor's routine may vary slightly, depending upon the day of the week. Monday is especially busy in the loan-shark racket. It is the day when new loans are being laid out, when collections are made, when the misdeeds of defaulters must be weighed and penalties assessed. The Doctor regularly visits his favorite Italian social club, where he sits around chatting with old cronies; but it is noticeable that, on this one day of the week, his stay is always more protracted and his talk longer and more earnest.

After the business at the club has been transacted, it's off to the plushier bistros of Manhattan, where the Doctor circulates, much like the lord of the manor, with maitre d's bowing and scraping and bartenders bobbing their heads in welcome and subservience. They all know they had better. Many are so deeply in hock to the Doctor themselves that they will probably never again be able to call themselves free men, and in some instances the pit has been dug so deep that the Doctor is in fact the secret owner of the business. A favorite rendezvous in the past, a plush restaurant just off Park Avenue in the midtown section, was forced to close eventually because his silent partnership became too loud and the State Liquor Authority revoked the liquor license.

"You can watch all this activity, and it's most frustrating," says a detective who has camped on the Doctor's trail. "He goes into a place, has a drink, chats with the bartender who is a 'steerer' of his [sending along loan customers]. Perhaps he picks up a message or some cash that has been left. How can you tell? It's all very casual, very hard to detect. Perhaps he wanders off to the men's room, and, just by chance, one of his lieutenants follows, and a word is dropped or money changes hands. There is little you can do about it."

It all adds up to a pretty gay way of life for the Doctor.

"He's a real swinger," a detective says, "and he's very vain. He goes to a health club regularly for exercise. And he's always been young-chick-crazy. Until he married his young wife, you'd see him almost every night with a different babe, all stacked. Now he makes the rounds with her."

The doctor has one other noticeable trait. He is famous for his nasty temper. "He has a very short fuse," the detective says, "and he'll get into a fight at the drop of a hat. This generates fear, it's falling that is really very valuable to him in his business. All he has to do is show up at a restaurant where some guy owes him money, and the guy begins to quake."

There is one other angle to the Doctor's business, and this, too, is highly remunerative. Underworld informants picture him as the secret proprietor of floating crap games. A free spender who likes to gamble is put in touch by a steerer; a fancy limousine picks him up at his apartment or hotel and whirls him away to the spot selected for the evening's pleasure. The game, being an underworld enterprise, is apt to be rigged to the eyeteeth; but even if it is not, the law of averages can generally be counted upon to leave the eager roller with a flat wallet. Then comes the *pièce de résistance*. The fever is still upon the sucker; having lost all, he wants to gamble more "to get even." And would you believe it? There at his elbow, just waiting to be of service, is one of the Doctor's sharks. Need another \$500, buddy? Gladly, gladly, says the shark, turning it over.

The shark, of course, knows his customer; he's already checked his credit rating; he knows he can't lose. If the gambler's luck changes, he pays back the shark on the spot—\$600 for the \$500 he has just borrowed. If, as is more likely, he blows the extra \$500, too, he must pay up \$600 within 24 hours. "This is one of the neatest rackets going,"

a detective says, "They aren't interested in the profits of the game so much as they are in the loan-sharking at the game. That's where the real money is. It's easy to run \$10,000 into \$15,000 in a single night loan-sharking."

Inevitably, with a business as intricate as the Doctor's, it becomes necessary, as it is not in a more streamlined operation, to keep some detailed records. It is fairly simple for the family boss who has parceled out \$1-million in chunks of \$100,000 to each of 10 principal lieutenants to keep his accounts in his head; but when you split up hundreds of thousands of dollars into hundreds of chunks, the transactions become too complicated. Even an agile brain cannot retain the details without the help of a written record. Authorities have been successful in obtaining one such account sheet of the Doctor's. It contains a long column of figures that look as if they were taken from a bank's daily ledger. Scanning the column at random, one notices amounts ranging from \$13,000 to \$43,000, each representing a loan. Some of the loans are identified only by nickname or initial; others have names spelled out beside them—including names of subsidiary Mafia figures to whom the Doctor apparently had funneled some of his money.

"We're sure this sheet represents loan-sharking business," the prosecutor who has it says, "but when we questioned the Doctor about it, his alibi was that this was just an ancient record, representing transactions from years and years ago when he was in the bookmaking business."

Even when authorities get an indubitably current record, it is extremely difficult to make much sense, still less a legal case, out of the mysterious chicken scratches. One investigative unit recently came into possession of a red-covered loose-leaf pocket notebook containing the record of transactions of a bookie-shark on the lowest level of the Doctor's ring. The flyleaf carries an unexplained notation: \$15,000.

"This apparently was the money entrusted to him to lend out," a detective says.

The \$15,000 item is followed by these other unexplained entries: \$7,300, \$3,900, \$700. Out at the side of the page, the last sum is broken down into three other amounts: \$250, \$350, \$100—apparently representing three smaller loans that made up the \$700.

Who got the money? There is no way of telling.

"The guy who had this book carried it in his head," the detective says. "He knows who got the \$7,300, who got the \$3,900; he doesn't have to put down names."

Some of the inside pages of the notebook do contain more information. In transactions involving week-by-week payments over periods of several months, the shark had to keep a careful record. But even here the entries tell little. These are designations like "Brother," "Billy," "Fred." Just who they are is anybody's guess. One of these accountings shows that \$500 was lent to be paid back at a rate of \$50 a week for 12 weeks—a mere \$600 for \$500. Regular payments were made, except for one week. However, the borrower paid \$100 the next week, was never delinquent again and the account was marked closed at the end of the 12 weeks.

Not all borrowers were so lucky. One account in this book deals with a loan that started out at \$11,600. The borrower—whose name appeared beside the figures—made regular payments at the start, but then the burden obviously became too heavy. His payments lapsed for weeks. Penalties were assessed. These and the accumulations of . . . vigorish boosted the indebtedness, despite what had been paid, to \$16,898. There the account ends—permanently. The man who borrowed but could not pay was found murdered in a city alleyway, and investigators trying to solve the case are operating on the theory that he paid with his life for having

had the bad judgment to cost the syndicate money.

Such gory episodes point up a fact of life: the borrower is always at the mercy of the shark, and the shark, backed by all the awesome, terroristic power of the Mafia, is utterly ruthless. Coupled with his ruthlessness is a devilish cunning that is always devising new ways of getting people in his power—and then driving them right through a wall.

Take the case of the prosperous bar owner who tried to do his daily good deed, found himself caught in the middle and was almost devoured by a shark. The bar owner had a good, free-spending customer whom he had known for quite some time. One day the customer confided that he was in a financial bind and needed to borrow some fancy cash. So the bar owner, trying to do a favor for a patron, passed him on to his favorite loan shark. The customer and the shark made their deal, and for a time everybody was happy. But then the customer, evidently unable to pay, skipped the city—and the sharp ivories of the loan shark closed on the bar owner who was informed he was responsible for and had to make good the loan.

"If you introduce someone to a loan shark," says one investigator, "you make yourself responsible for the payments. If the friend you've recommended takes off for Florida or Samoa, leaving the debt unpaid, they come to you to collect. It is just like co-signing a note in legitimate business. This is one way many bartenders and bar owners find themselves suddenly in deep, deep trouble."

The trouble gets just as deep as the loan shark in his generosity chooses to make it, for the shark makes up the rules of the game as he goes along, and the other player, the borrower, hasn't a thing in the world to say about it. If a borrower defaults for a couple of weeks or a month, the shark can assess any penalty that comes into his usurious mind—and the borrower has to pay or flee the country or risk being dumped in some dank gutter.

Frank Rogers, in his testimony before the Commission of Investigation, cited a case that began with a \$6,000 loan to a businessman. The borrower made three payments, then missed two. For this heinous offense, the loan shark decided that the \$6,000 would now be converted into \$12,000, with the accompanying double vigorish. When the hapless borrower could not begin to pay this suddenly doubled load, the shark upped the principal to \$17,000, then \$25,000. "Just by simple mandate from the loan shark," Rogers testified, "you are in an irreversible situation. He says, 'This is the loan,' and that is it."

Once a victim has been driven completely through the wall by such devices, the shark sometimes grins his suddenly friendly smile and says, "O.K., I'm now your partner. I own half your business."

This doesn't mean he's really forgiving anything; he's simply stopped piling it on. But he still expects his vigorish on the old loan—and half his new partner's—profits besides. The situation then rapidly deteriorates to the point of utter hopelessness, which is what the shark wants. Then he may say magnanimously, "Look, we will swap even. We will forget the loan, you forget the business. It is now all mine." The entire process, Rogers said, sometimes takes less than six months.

Such takeovers, Rogers told the investigation commission, run the gamut "from nightclubs to optical stores to brick companies." And, as testimony before the commission showed, to Wall Street brokerage houses and banks.

The loan shark, then, is the indispensable "money-mover" of the underworld. He takes "black" money tainted by its derivation from the gambling or narcotics rackets and turns it "white" by funneling it into channels of

legitimate trade. In so doing, he exacts usurious interest that doubles the black-white money in no time; and, by his special decrees, by his imposition of impossible penalties, he greases the way for the underworld takeover of entire businesses. Perhaps the best single illustration of how it all works was put on the record by the Commission of investigation in its probe of the First National Service and Discount Corporation.

This was an underworld loan-sharking operation that was actually incorporated as an ostensibly legitimate business. It had a suit of offices at 475 Fifth Avenue, and its front man was an operator grown as Julio Gazia, alias Julie Peters. He described himself frankly as "a Shylock, a five-percenter." Some of the largest names in the underworld and its affiliated loan-sharking ventures weave in and out of the story of First National.

The original loan of \$21,600 was supplied by Thomas (Tommy Ryan) Eboli, strong man of the Vito Genovese syndicate, and by Charles (Ruby) Stein. Stein, with his partner, Nicholas (Jiggs) Forlano, is known as one of the largest loan sharks in the city, with direct ties to the highest echelons of the Mafia. When additional money was needed for loans, it was obtained from Mike Genovese, brother of Vito, and Joseph (Joe Ross) De Nigris, known as a reliable "old soldier" of the Genovese family and a close aide of Eboli. Money from these underworld sources was lent to Julio Gazia and First National at 1.5 and 2 per cent a week—and was put out by Gazia at a minimum of 5 per cent a week. With money turned over and over from paid-up loans, First National lent approximately \$400,000 in 25 months and reaped a gross profit of at least \$150,000, probably much more.

Borrowers testified before the commission that they lived in abject terror of what would happen to them or their families if they did not pay. The wife of one borrower, subjected to a blitz campaign of threatening and obscene telephone calls, collapsed and had to be hospitalized. The others had good reason for their fear, the commission reported, for Gazia employed two hoodlum-enforcers—Anthony Scala, who liked to be known as "the leg breaker," and Anthony (Junior) De Franco.

An attorney who had become a partner of Gazia in the First National caper gave the commission an inside view of some of the goings-on. On one occasion, Gazia lent \$22,000 to the proprietor of an optical company, who agreed to pay \$1,100 a week "vig" on the loan. Later another \$6,500 was lent. This raised the "vig" to \$1,425 a week, and the optical company executive found eventually that he simply couldn't pay it. Though he had paid Gazia and First National \$25,000 in interest, he still owed the entire principal of the loans, \$28,500—and the \$1,425-a-week "vig" went on and on, endlessly. He tried frantically to borrow from friends and failed.

At this point, the underworld called a "sit-down"—a meeting presided over by an underworld baron of acknowledged stature. Presiding as a justice in a kangaroo court, the underworld chieftain hears the evidence and decrees what shall be done—what lump sum the loan and accumulated vigorish can be settled for (this is never less than three or four times the original principal) or, in lieu of that, what retribution shall be exacted from the defaulter. In the case of the optical company owner, Eboli himself presided at the sit-down, held in a Greenwich Village restaurant, and he decreed that an aide, Dominick Ferraro, should take over the optical company and go to West Virginia to operate its plant there. In the course of a few months, the new "management" looted the concern of every dime in the till and drove it into bankruptcy.

Why do supposedly sensible men get themselves into such binds? The optical firm own-

er who lost all gave the commission a succinct answer: "I needed the money."

It is a refrain that is heard again and again. Certain kinds of businesses are especially vulnerable. In the garment business, an uncertain and cyclical industry, the owner of a dress factory often finds himself caught in a sudden squeeze; either money is tight or he does not have the kind of credit he needs at a bank—so he goes to a loan shark. Many a tavern owner begins business after spending years as a cook or bartender. He does not have much capital. By the time he has rented and furnished his place, he is running short of funds with which to lay in the costly supply of varied liquors that he needs to woo a well-paying clientele—so he goes to the loan shark. In the construction industry, capital can be tied up in long-term projects; when the crush for cash for a new venture becomes acute, a sum like \$1-million may be needed the day after tomorrow—and so the construction company executive, too, goes to the loan shark.

There are an infinite number of entrapment techniques. Take a typical case. The steerer at a bar introduced the resident loan shark to the son of a wealthy businessman. The son had junior executive status in his father's business, was a bit of a playboy and was drawn by the shark's sinister character and reputation. It did something for his ego just to be seen in the company of such an eminent Prince of Darkness.

The shark and Junior began to bet together. It started on the \$10 level. Then Junior wanted to move up to the \$100 class, but he didn't have that kind of money. Kindly Shark, slapping him on the back, reassured him: "O.K., old buddy, don't worry about a thing. I'll back you." The betting grew apace. Soon Junior was gambling \$1,000 a clip with the bookie to whom Kindly Shark had introduced him.

Before he met K.S., Junior had been betting \$10 a week on Saturday football games. That was his speed. Within 90 days after meeting K.S., Junior was betting \$4,000 each Saturday. The inevitable happened quickly. Came a series of disastrous weekends when all Junior's teams could do was lose—and he had, of course, no money with which to pay the thousands he owed. Now Kindly Shark's teeth showed. It was no longer: "Don't worry about a thing, old buddy." It was: "Pay up, old buddy—and damn quick." In desperation, Junior embezzled a large sum of money from his father's firm with which to square himself with the underworld.

Worldly-wise individuals are also caught in this trap and forced into paths of crookedness. Sergeant Salerno told the investigation commission of the case of a "nationally known broadcaster, a sports broadcaster, who became involved with the Shylocks. This man was party to a sit-down, and the conversation that took place at that sit-down—you would think that this man was a chattel, a piece of baggage; they were going to buy or sell him. . . ."

Two loan sharks among his creditors, Sergeant Salerno said, bought up all his indebtedness for "a very low percentage on the dollar." Then they used his services to recoup their investment. "He ended up steering affluent people, who knew his reputation, knew who he was, to a crooked dice game in order to earn a percentage of what they would be fleeced of, to be applied against his indebtedness."

Such is the unsavory picture. What can be done about it?

There must certainly be increased public understanding of the problem. Prosecuting officials have shouted themselves hoarse in the past, but the public still seems to think of the loan shark as an accommodating fellow who is offering a valuable service. The Commission of Investigation was told of one contractor who borrowed \$1-million from a second-echelon loan shark for a construction project. The contractor began to list for the

loan shark all the collateral he could put up to guarantee the loan.

The shark wasn't interested. "Your body is your collateral," he told the contractor, and with these words, for the first time, the contractor understood the kind of a deal he was entering.

The public must be made to understand, officials say, that when a man borrows from a loan shark, his body is, indeed, his collateral. There is a lien on his life. "Anyone who borrows from a loan shark is leaving himself open to strong-arm methods," one prosecutor said. "People should borrow only from legitimate sources; otherwise, they are borrowing, not just money, but a sackful of trouble."

Public understanding and cooperation—is needed to make the laws work. Before the State Commission of Investigation's probe in 1964-65, there was no legal limit on the amount of interest that might be charged a corporation and no limit on what could be charged an individual on loans over \$800. The loan shark was not only safe, he was legal—as long as he did not beat up someone to enforce collection or become directly involved in some form of embezzlement.

As a result of the investigation commission's exposure of the loan-sharking racket, new and more stringent laws were passed. Now it is illegal to charge a corporation an annual interest of more than 25 percent, and it is illegal to charge an individual, no matter what the size of the loan, more than 6 percent. But prosecution is still difficult: it takes a witness to make a case, and the witness who is willing to testify against a loan shark, with the terrifying shadow of the Mafia looming behind him, is a rare species and exceedingly difficult to find.

It sometimes happens, but all too seldom, that a victim is driven to such a degree of desperation that he flees into the arms of the law. One such rarity occurred in late November, 1967, when Berthold Kahn, of Spring Valley, N.Y., became so hopelessly entangled with loan sharks and their vigorish that he could see no way out. Threatened, in fear of his life, he sought out the Federal Bureau of Investigation in New York.

F.B.I. agents listened to his story, but they had no jurisdiction. Since the loan sharks involved came from Brooklyn, the agents suggested to Kahn that he see District Attorney Aaron E. Koota, of Kings County. Koota and his assistant, Irving P. Seidman, in charge of the Rackets Bureau, have been waging a long and vigorous campaign against loan sharks and the underworld's infiltration into legitimate businesses. But, like other investigative agencies, they have had their problems in getting essential witnesses.

Kahn arrived at Koota's office virtually quaking with fear about 4:30 P.M. on Friday, Nov. 24. He wanted to telephone his wife, he said; and, when he did, what she told him only increased his terror. In his absence, she had received a telephone call from some tough-talking characters. They informed her that her husband had not kept an appointment he had made with them, and they declared they were going to come out to his house that night to teach him a lesson.

This incautious announcement of intent was all the authorities needed. Seidman got in touch with New York State Police, and Brooklyn detectives and State Police stalked themselves out in Kahn's home. They waited until 3:30 A.M. when, true to their promise, three hoods came pounding on the door, shouting to Kahn to open up and asking him if he wanted his arms and legs broken. Having heard all they needed, the detectives moved in and arrested the trio on extortion charges.

With the arrest, Kahn and his family breathed a huge sigh of relief. They had cleared at least the first, terrifying hurdle, but it will be many days and weeks before they feel entirely safe. They can never be

certain that some of the arrested hoods' friends won't come calling—though actually, authorities say, this rarely happens after an arrest has been made. Once the law has interested itself in a particular case, the loan sharks tend to stay away. After all, why risk bothering with a man on whom the police are probably keeping a protective eye? Why risk the danger of an assault rap or even a murder rap, when you can go out tomorrow and keep turning over 5 per cent a week—260 per cent a year? The loan shark does not readily give up his vigorish, but he is, after all, a businessman, and there are occasions when it is better to take the smaller loss in pursuit of the greater profit. That greater profit will not be threatened unless there are many, many more cases like the one in Spring Valley.

"This case just goes to show what can be done, how law enforcement authorities are prepared to cooperate and act any time we can get the help of the public," District Attorney Koota says. "But we have to have that cooperation. It is the only way we can ever stop this racket. If we had that, we could put these racketeers out of business tomorrow; and if we don't get it, this will continue and get worse."

[From the New York Times, Jan. 29, 1968]

FEW LOAN SHARKS ARE HOOKED BY THE NEW LAWS—PROSECUTORS SAY IT IS HARD TO OBTAIN CONVICTIONS—RACKET REPORTED SPREADING—MAFIA ROLE CHARGED

Law enforcement officials said yesterday that they were virtually helpless to deal with the spreading problem of loan-sharking despite recently enacted stricter laws designed to stamp out the racket.

Alfred J. Scotti, chief assistant district attorney of New York County, said there were fewer than a dozen loan-sharking prosecutions a year in Manhattan, one of the racket's most fruitful feeding grounds.

In Brooklyn, another section of the city where loan sharks operate actively, there are relatively few arrests for the crime, according to Elliott Golden, that borough's chief assistant district attorney.

The two officials, and other law enforcement authorities who supported them, made their observations in interviews after the Joint Legislative Committee on Crime focused new attention on loan-sharking last week at a hearing at which Michael Metzger, a New York County assistant district attorney, called it the "principal vehicle by which the underworld may infiltrate otherwise legitimate areas."

LINKED TO MARCUS CASE

Loan-sharking, authorities have said, is an element in the charges against James L. Marcus, the former city Water Commissioner, who is accused of accepting part of a \$40,000 kickback on an \$835,000 reservoir cleaning contract. These authorities have said that Mr. Marcus was forced into the kickback scheme after he fell into debt to loan sharks.

The problem faced by law enforcement officials in combating the loan shark racket is not that they do not know who the loan sharks are.

"We are quite familiar with the identities of those involved," Mr. Scotti said with a faint smile.

Nor is the problem the law itself, which investigators and prosecutors agree is now adequate to deal with the challenge of usury, the statutory name for loan-sharking. The law, passed in 1965 after an inquiry into loan-sharking by the State Commission of Investigation, made it illegal to charge more than 25 percent interest a year on loans.

The problem, the law enforcement experts said, is to collect evidence of loan-sharking that will stand up in court and win convictions. At the present time, the officials said, this is virtually impossible.

Loan-sharking seldom comes to the attention of the police, as most other crimes do. This is because loan-sharking involves a transaction in which two adults—the lender and the borrower—participate willingly, unlike a robbery, a rape or an assault in which the victim is an unwilling participant.

In this respect, loan-sharking is somewhat similar to the sale and purchase of narcotics. And like the narcotics trade, neither party to a loan-sharking transaction wants anyone else to know it has taken place.

As a result, Mr. Scotti explained, "people who borrow from loan sharks rarely come forward on their own."

The key to the control of loan-sharking, according to most investigators and prosecutors, is the wide ruse of wiretap and other eavesdropping devices.

"Court-ordered eavesdropping should be made available to law enforcement officials," Mr. Scotti said. "This is indispensable. It is imperative."

"If we had that, we could get them," Mr. Scotti, a small, animated, white-haired man said, snapping his fingers, "like that."

Mr. Scotti ranks loan-sharking second only to gambling as the prime source of underworld revenue, and he said the racket, which exacts interest rates up to 700 per cent and in which the Mafia is estimated to get at least \$30,000 a year on every \$10,000 it lends is growing.

"It is becoming an increasing outlet for unlawfully acquired money," he said.

Law enforcement authorities have detected not only a growing level of loan-sharking activity but also some significant changes in its character.

Years ago, they noted, loan sharks preyed primarily on poor people unable to borrow from banks or other legitimate lending organizations because of a lack of collateral.

Loan-sharking then, the officials said, was strictly a financial operation backed by terror. Money was loaned, usually at the traditional six-for-five rate (paying back \$6 for a \$5 loan). If it were not repaid promptly, the delinquent borrower was threatened, beaten or even killed to provide an example to other borrowers.

Such strongarm tactics are still common. In Brooklyn recently, a delinquent borrower was stripped of his clothing, taken out in a boat and threatened with being thrown overboard unless he agreed to pay the money he owed the loan sharks.

But new tactics have been added to the loan shark's repertory of terror, the law enforcement officials said.

ALTERNATIVES TO PAYMENT

Today, one official said, the loan sharks and their Mafia bosses adopt the position that if a man cannot repay his loan promptly, "what use can we get from him?"

Instead of beating the victim or threatening his family, the loan shark's strongarm men persuade him to help them. If the victim is in the meat business, for example, they force him to buy a load of stolen or tainted meat. If he is in the trucking business, they make him agree to point out a shipment of valuable goods for easy hijacking.

"Once he's in that far," said one assistant district attorney, "he's in for good. He does their bidding. It's a kind of financial blackmail that results in a moral slavery."

The result is that a man who had no intention of becoming a criminal when he borrowed a few hundred or a few thousand dollars from a loan shark begins an irreversible plunge into a series of criminal activities dictated by his loan-shark masters, the official said.

"I think," he commented, "this can happen to a public official. It can happen to anyone."

[From the New York Times, Jan. 30, 1968]

TRUTH IN LENDING

As the House of Representatives takes up the long-staleated truth-in-lending bill,

the need for a strong, comprehensive law is heightened by the steady growth in the volume of consumer credit. Buyers and borrowers must have the protection of a law requiring full disclosure of the true cost of obtaining credit. These safeguards are particularly necessary for the least educated and the poorest, who can ill afford mistakes in managing their money.

The bill as it comes to the House floor would be improved if the members strike out two amendments adopted in the Banking Committee. The first would exempt retail stores and mail-order houses from telling their customers the interest rate on an annual basis for so-called revolving charge accounts. An interest charge of 1.5 per cent a month on the unpaid balance sounds rather low. Yet, on an annual basis, this is 18 per cent.

Equally objectionable is an exemption in the bill providing that credit terms do not have to be detailed if the interest charge is less than \$10 per transaction. As a practical matter, such a provision would exempt most loans and purchases of less than \$100. This is exactly the size of transaction in which persons with the smallest incomes need protection.

On the plus side, an amendment successfully offered in committee by Representative Halpern, Republican of New York, strengthens the bill by restricting the garnishment of wages. The first \$30 of a worker's wages would be exempt from attachment by a private creditor, and no attachment could exceed 10 per cent of his remaining wages. No one would be harmed by such a modest restraint except those dubious merchants who prey upon the poor by selling shoddy merchandise on "easy" credit.

The CHAIRMAN. The time yielded by the gentleman from Texas has expired.

Mr. WIDNALL. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, I rise in support of H.R. 11601, the Consumer Credit Protection Act of 1968. Without equivocation, I think the Committee on Banking and Currency can be proud of the bill it has reported. The vote in committee to report the bill with committee amendments was 30 to 1, indicating the wide bipartisan support for a measure of this kind.

I think it is also worth noting that this legislation is truly the product of congressional initiative—the kind of initiative that has been sadly lacking for many years here on Capitol Hill. This measure originated here in the Congress many years ago and did not receive what we would call strong executive branch support until fairly recently. This is as it should be because the House of Representatives and the Senate are closest to the people and no major domestic issue is closer to the people than various facets of what is called "consumer protection."

A truth-in-lending bill passed the Senate last year by a 92-to-0 vote, and many observers thought at the time that the House would merely rubberstamp the measure sent to us to enable another dramatic bill-signing ceremony at the White House. This was not the case because the House Committee on Banking and Currency took a fresh look at this area of consumer credit protection and reported a bill infinitely stronger than that which passed the Senate. I think a great deal of credit for this should go to the chairman of the Subcommittee on Consumer Affairs, the gentlewoman from Missouri, Congresswoman SULLIVAN, and

the ranking minority member of that subcommittee, the gentlewoman from New Jersey, Congresswoman FLORENCE DWYER. The bill as reported would, to summarize:

First. Safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit;

Second. Restrict the garnishment of wages to prohibit attachment of more than 10 percent of a worker's wages, after exempting \$30 a week from his earnings, and forbid an employer from firing a garnished worker for his first garnishment;

Third. Provide for truth-in-credit advertising by requiring rate disclosure, as well as all credit terms whenever a reference is made to any credit requirement in an advertisement;

Fourth. Require sellers and lenders, whenever credit life insurance is mandatory, to disclose the cost of such insurance along with other information regarding total finance charges;

Fifth. Require mortgage lenders to disclose annual rates and total finance charges including closing costs in transactions involving both first and second mortgage credit. S. 5, the Senate bill, exempted first mortgages but included second mortgage credit;

Sixth. Provide that creditors must furnish a written estimate of the approximate annual percentage of the finance charge on open end credit plans whenever a customer requests it orally or in writing, and specifies a repayment schedule and other essential credit terms as may be prescribed by regulations; and

Seventh. Require disclosure of payments and credits not deducted during a billing period before a finance charge is added.

Mr. Chairman, I think it is unfortunate that this bill comes to the floor with certain among us pointing to what they call loopholes in the bill. I am referring to the manner in which the committee decided to treat revolving or open end credit. Let me say this: There are a few features of this bill which I disagree with also such as the creation of a Commission on Consumer Finance, but I certainly have resisted any temptation to smear the entire bill for the fact of exciting interest in those one or two portions of the bill with which I disagree. I think it should be apparent to all that the President of the United States in his state of the Union message is satisfied with the truth-in-lending bill as it passed the Senate when he urged the House to complete action on the truth-in-lending bill which had already passed the Senate. It is fair to conclude that he would undoubtedly be that much more happy with the stronger bill reported from our committee.

I would also like to take this opportunity early in the debate to clear the air of certain misconceptions that special interests have created. Many Members of the House have received mail from small loan companies, furniture dealers, and banks, claiming that they want House passage of a truth-in-lending bill treating everybody alike. I think it is only fair to point out that these three

groups have opposed for many years any truth-in-lending legislation whatsoever. At this late date, they have changed their positions and are pleading with us to treat all retail credit alike. On the issue of revolving or open end credit, a majority of the Committee on Banking and Currency saw good reason to make a clear distinction between short-term revolving credit and long-term revolving credit. We made a distinction with regard to disclosure because there is a clear and definite distinction. Ninety-two Members of the Senate and a majority of our committee realized that there was no way accurately to predict or to compute in advance the annual percentage of carrying charges on short-term revolving or open end credit. In her original bill, the gentlewoman from Missouri recognized this when she required disclosure in advance of dollars and cents finance charges on bank loans and installment credit but not on open end credit. If one cannot accurately predict in advance the dollars and cents finance charges on open end credit, how can one predict the annual percentage rate of those same charges? The answer is that you cannot. On the other hand, on those forms of open end credit and installment debt which carry repayment terms exceeding 18 or 19 months, figures prove that one can fairly accurately predict in advance the annual percentage finance charges.

Banks, furniture dealers, and small loan companies ask us to treat all retail credit alike in that if they have to disclose their finance charges on an annual basis they feel that everyone else should be similarly obliged. There is nothing in this bill as reported from the committee which prevents banks, finance companies, small loan companies, or furniture dealers from shortening their terms of repayment and thereby avoiding the need to disclose an annual percentage rate on finance charges. This bill does not attempt to regulate the forms of retail credit available to the American consumer. There is no question in my mind, however, that an indirect result of this legislation will be to encourage shorter term retail credit. Bank credit cards are free to reduce their terms of repayment from 30 months to 19 months, thereby coming in under the definition of open end credit where a periodic or monthly rate can be disclosed. Most, if not all, bank credit cards encourage longer repayment terms because the longer the repayment terms the higher the credit costs to the credit card holders and the higher the return to the banks. Moreover, when the banks say treat us all alike one should remember that there is nothing in the bill as reported or in the original Sullivan bill which would require disclosure of bank discounts to retail establishments which use bank credit cards. If everybody is treated alike, because of the discount mechanism, Congress would be giving a substantial competitive advantage to the rapidly growing bank credit card operations.

With regard to the pleas of furniture dealers to treat us all alike neither the committee bill nor the original Sullivan bill ever treated furniture dealers and open-end credit plans alike. Most retail

furniture dealers employ straight installment contract terms for credit in connection with the purchase of furniture. The carrying charges on installment credit can be accurately computed in advance both as to dollars and cents and as to annual percentage rate. There has never been any argument over this either in the Senate or in our committee. Many furniture dealers, however, charge considerably higher annual carrying charge rates than do large department stores. Their terms of repayment quite often are 36 months and as we all know, the longer the period of repayment the higher the total carrying charges are to the customer. Moreover, when the furniture industry asks us to treat all retail credit alike by requiring annual rate disclosure across the board, they are doing so with their tongue in their cheek because they know that for the House to take this action would be to give them a built-in competitive advantage over open end or revolving credit. The reason for this is simple. With regard to installment credit, the only disclosure requirements in this bill would be at the time the customer signs a contract. Thereafter, on his monthly bills there would be absolutely no disclosure whatsoever. On open end credit, on the other hand, not only are there eight separate items of disclosure on the original agreement or contract, but the bill would require substantial and extensive disclosure on each and every monthly bill the customer receives. Now I think most reasonable men would agree that the average shopper purchasing furniture does not bother to read the fine print on a three- or four-page installment contract. Once the signature is on the dotted line, the customer would never again be reminded of the annual carrying charges he is paying. If we treat all retail credit alike, as the furniture dealers ask us to do, I assume the furniture people in this country would be only too glad to have the same disclosure requirements on monthly bills apply to them as will apply to open end credit. I point this out because it is my considered judgment that the bill as reported takes special care and applies special standards to open end credit as opposed to other forms of retail credit such as installment credit.

Furthermore, we should keep in mind that the open end credit that has caused so much debate constitutes approximately 3 percent of the total consumer credit outstanding in the United States today. If the House treats all retail credit alike, it can be safely predicted the following will occur:

First. Most department stores will switch to either long-term revolving credit or straight installment credit with much longer terms of repayment and much higher cost to the American consumer.

Second. Because a requirement to annualize carrying charge rates would exaggerate and overestimate the rates actually being paid, department stores would make certain that their carrying charges equaled the rates Federal law forced them to disclose and this would add tens of millions of dollars to the cost of retail credit.

I want to briefly emphasize the role that the minority played in this legislation. When the Subcommittee on Consumer Affairs was hopelessly deadlocked for many weeks, it was the ranking minority member, Congresswoman DWYER, who suggested a compromise to high officials of the administration in an effort to break the deadlock and get a bill to the floor. This compromise package is essentially what the House is considering today. There can be little question that the two major areas of improvement of this bill over that which passed the Senate last year is the addition of disclosure requirements on credit advertising and the section dealing with administrative enforcement. Recently, the New York Times carried a story referring to the first year's experience under the Massachusetts truth-in-lending bill. That experience indicated that most consumers did not even know there was a truth-in-lending bill on the books and that the legislation had little if any concrete effect on buying habits. There was one major exception. The disclosure requirements in Massachusetts over credit advertising have had a significant effect in rooting out those advertisers who traditionally practice misleading and deceptive credit advertising. I am of the opinion that the bill before us will also have the same result in that the section dealing with credit advertising will eliminate from the scene those merchants who generate sales by misleading and deceptive credit advertising.

Finally, Mr. Chairman, I think the situation confronting the House today is very similar to the situation we faced late last year on the meat inspection bill. The Committee on Agriculture tried to do an honest job in bringing out a measure which was equitable yet sufficiently strong to deal with the subject of meat inspection standards. I want to call to the attention of the Members of the House to a front-page story in this week's National Observer entitled "U.S. Inspectors Fudged Facts To Pass Meat Law." It is a startling and frightening story of what can happen to the deliberative process of the Federal legislature when fraudulent charges are made in an effort to stampede the Congress into quick and shortsighted action. This seems to be a popular pastime these days in connection with consumer protection legislation and to a great extent we are witnessing a repetition of this tactic in connection with the bill before us today. Fortunately, the press and the public itself has seen through these charges in that most fair-minded people have recognized that there are good arguments on both sides of these issues.

While the minority will have certain important amendments to offer at a latter time, I wholeheartedly endorse H.R. 11601 as reported.

I urge the House to overwhelmingly pass this measure.

Mr. PATMAN. Mr. Chairman, I yield 18 minutes to the gentlewoman from Missouri [Mrs. SULLIVAN].

(Mrs. SULLIVAN asked and was given permission to revise and extend her remarks.)

Mrs. SULLIVAN. Mr. Chairman, I want to first say how extremely helpful

the chairman of our full committee, the Honorable WRIGHT PATMAN, has been throughout the many months that this bill has been before our committee. He gave me solid support and great encouragement, too. No one could have given better cooperation. He has been fighting for this kind of legislation in Congress for nearly 40 years.

NO LONGER A LOST CAUSE

Mr. Chairman, as the principal sponsor of H.R. 11601 and as chairman of the Subcommittee on Consumer Affairs, which conducted extensive hearings on the legislation, I am proud to have my name associated with the many features of a bill which should give to consumers greater confidence in the honesty and competitiveness of the credit industry, and greater self-assurance in their use of credit. If enacted without crippling amendments, such as the two committee amendments which drive gaping loopholes into the bill's effectiveness, this measure will stand as the most important consumer bill passed by Congress in years.

Yet of all of the lost causes for which Members of Congress have battled and persevered with seemingly no chance of success, this legislation now before the House—H.R. 11601, which contains truth-in-lending provisions as part of its title I—represents what was for most of the past 8 years, one of the most forlorn of hopeless legislative causes. Soon, I trust, this long battle will end in victory for the American consumer—and, I might add, for legitimate American business, too.

It is no longer a question of whether truth in lending will pass Congress and become law. The question instead is: What form will the legislation finally take? Will we give the consumer the whole truth in lending, or just a part of the truth? The decisions made in the House this week will go far toward answering that question, if you give us a good strong bill to take to conference.

The Senate last July 11 passed a truth-in-lending bill, S. 5, by a unanimous rollcall vote of 92 to 0. As the vote itself would indicate, it was not a very strong bill and had only limited application. Its draftsmanship was excellent and the technical work on it outstanding, but the bill itself represented more compromise than content.

OMISSIONS FROM SENATE BILL

For instance—

It did not apply to first mortgages, which represent the largest category of all consumer credit and the largest credit transaction the average family ever makes.

It did not apply to the advertising of credit terms, where the full truth is now seldom found and where half truths and outright lies have abounded.

It provided no administrative machinery for enforcement—any consumer who felt aggrieved would have had to institute his own legal action to obtain redress.

It exempted the extremely fast-growing and highly profitable forced tie-in sale of credit life insurance from inclusion in the finance rate the seller or lender must reveal to the buyer.

It ignored the issue of garnishment, which is the main factor behind the worst types of credit abuses among the poor and uneducated.

And, in those credit transactions in which it did apply, S. 5 contained two extremely serious permanent loopholes dealing with revolving credit and with transactions up to \$110, and one very technical temporary provision which, until January 1, 1972, would have compounded the confusion among consumers in trying to learn about the rates of credit charges by using a strange term, "dollars per hundred per year on the average unpaid balance" instead of the percentage rate.

The greatest significance about the passage by the Senate of S. 5 last July was not the content of the bill. Rather, Senate passage of truth-in-lending legislation flashed a signal to Congress and to the country that former Senator Paul H. Douglas' long crusade could now, finally, be achieved; that is, that under the leadership of Committee Chairman JOHN J. SPARKMAN, and Subcommittee Chairman WILLIAM PROXMIRE, the Banking Committee in the other body would no longer veto congressional action on truth in lending, as it had done from 1960 through 1966. This was a signal my subcommittee had awaited ever since the Consumer Affairs Subcommittee was established in 1963, and we immediately got busy on this legislation.

STRONG HOUSE BILL INTRODUCED AND THEN STRENGTHENED FURTHER

Nine days after the Senate passed S. 5, a bipartisan group of five members of my subcommittee joined me in introducing H.R. 11601, which took all of the good features of S. 5 and incorporated them into a much broader, comprehensive bill to provide real protection to the American consumer in his use of credit. It was the strongest consumer credit bill ever introduced in the Congress.

And now, I might add, we are bringing that same bill before the House with most—not all, but most—of its strong consumer protections still in the legislation. Many of those provisions were changed in subcommittee or in the full committee to conform to the information we developed in 2 solid weeks of morning and afternoon hearings, but most of the basic disclosure sections of H.R. 11601, as originally introduced, are still in the bill and, in some instances have even been strengthened.

Thus, we included first mortgages along with other types of consumer credit, because the status of a mortgage as a first mortgage does not necessarily insure that it is a good and fair one. The legitimate mortgage finance industry will have no problems in complying with this provision, but the gyp outfits will suffer long overdue exposure of their unconscionable rates.

We included the advertising of credit—that is, if you purport to give the prospective customer specific provisions of your credit terms in your advertisement, it had better be the full truth.

Unlike S. 5, the truth-in-lending provisions of H.R. 11601 are not "self-enforcing"; instead we provided necessary administrative enforcement by appropriate Government agencies—the same

agencies which now have regulatory jurisdiction over the businesses which would be covered by the disclosure requirements of this bill.

We also brought the ever-expanding credit life insurance tie-in sale into the coverage of the rate disclosure requirements of the bill, if a credit firm insists you must take out credit life insurance with them as part of the transaction. If this insurance is optional, however, they merely have to list the cost in dollars and cents.

Instead of prohibiting garnishment, as proposed originally in H.R. 11601, we severely restricted the predatory use of this legal weapon by sellers or lenders whose only investigation into the credit eligibility of a customer is usually to find out whether he is employed and garnishable, without regard to his ability to pay the debt. The testimony we received in our hearings on title II of the bill, relating to garnishment, was overwhelmingly convincing of the need for legislation, particularly the testimony we received from four outstanding U.S. district court bankruptcy referees.

And we proposed the establishment of a National Commission on Consumer Finance, composed of three House Members, three Senators, and three public members, to make a thorough investigation into the entire consumer credit industry to see how well it is functioning in meeting the needs of the American people and what changes and improvements are needed to raise the effectiveness and also the standards of this vital and growing industry. From a long-range standpoint, this may well be one of the most important provisions of the bill.

COMMITTEE AMENDMENTS DRIVE TWO GLARING LOOHPHOLES INTO THE BILL

We defeated in committee an attempt to substitute the Senate's euphemism of "dollars per hundred per year on the average unpaid balance" for the required annual percentage rate on credit transactions for the period of the first 3 years or so after the law takes effect. The figures, I am told, would come out exactly alike—that is, 12 percent would be translated into "\$12 per hundred per year on the average unpaid balance." The Members have received some inquiries on this technical point from bankers in their districts. I assure them that the language we have in the bill and in the report makes abundantly clear that the annual percentage rate we require under H.R. 11601 is not an "interest" rate as defined in State usury laws. Therefore, I feel that the substitute term of dollars per hundred would only confuse consumers and serve no useful purpose. If there is any valid basis for the concern, however, we can certainly iron it out in conference.

We have thus ended up with a bill which suffers from only two serious deficiencies in protecting the consumer. Those two deficiencies were inserted as House committee amendments. Since they were lifted almost verbatim from the Senate bill, it is urgent, therefore, that we defeat those two committee amendments before passing the bill in the House. Otherwise, we will not be able to take those two issues to conference. The Senate committee may have had good and sufficient reasons to place those

two loopholes in the bill, as a way of ending a 7-year stalemate within that committee on any legislation at all. But we have no good reason for including them in the bill we pass—no reason other than to weaken the legislation. If the House will give its conferees an effective bill to take to conference, we will do our best to fight it through.

THE REVOLVING CREDIT EXEMPTION

One of those two loophole amendments is the one on open end or, as it is now popularly known, revolving credit. This is the amendment of the big department stores and catalog houses. The Nation's largest retailers have rapidly been converting their traditional 30-day charge accounts into an important source of further income through service fees customarily set at a rate of 18 percent a year. Few customers know, or stop to figure out, that the modest service charge of 1½ percent a month on their unpaid balance is at a rate of 18 percent a year. And the department stores which run this kind of credit program are determined to keep the customer from finding out. Up until yesterday, there seemed to be a solid front among all of the major retail chains on this issue—those which grant revolving credit—but Montgomery Ward, Spiegel's, and Sears Roebuck have now taken another look. I shall discuss that later.

If this were a battle between business on one hand and the consumer on the other, I might not be nearly as optimistic as I am about our ability to defeat this committee revolving credit amendment on the floor. But a strange and wonderful thing has been happening in support of the consumer's right to know all of the facts about his credit costs.

Most of the banks in this country, and furniture stores, and appliance dealers, and hardware stores, and music stores, and radio-TV dealers, are united behind the sponsors of this bill who opposed this department store amendment. For it would provide the department stores with a tremendous competitive advantage over most other merchants and most of the lending industry. Under the bill as amended in committee, and under the Senate bill, too, the furniture store selling a set of furniture at the same price and on similar credit terms as the department store, but financing it through installment rather than open-end credit, would have to give the annual rate of its credit charge while a department store qualifying for the revolving credit exemption would merely give a monthly rate only. If the two stores charged the same rate, the furniture store would have to say its rate was 18 percent a year while the department credit clerk was pleasantly assuring the customer the rate in that store is only a low 1½ percent a month.

If you do not think this would make a big difference to the average customer, Mr. Chairman, read what the furniture dealers told us in our hearings. They have tested this out among customers at random. To the average customer—to most customers—a rate of 18 percent a year sounds fantastically high while the very same rate expressed as 1½ percent a month sounds low, reasonable, and just dandy.

Is this Committee going to discriminate so flagrantly between different types of stores selling the same merchandise? Are we going to take the side of the biggest retailers against the smaller independents—and against the banks and all consumers, too? I cannot believe that the Committee will vote to do so.

This proposal will come before us as a committee amendment. If defeated in Committee of the Whole House on the State of the Union, as I trust it will be under the 5-minute rule, that will take care of this loophole, and we will be able to fight it out with the Senate conferees. But if the amendment carries in Committee of the Whole, we will then have a rollcall vote on it. The issue in that vote will be as clear cut as any vote can be: the public, the local banks, and most independent business on one hand versus one classification of retailers—the department stores—on the other.

THE LOAN SHARK EXEMPTION

The other loophole amendment also present a sharp and clear-cut issue: it is the loan shark amendment under which anyone extending consumer credit of up to \$100 or \$110 would be able to hide the rate he is charging for that credit, just so long as the dollar cost of the credit charge is \$10 or less.

The minority leader told us last week he is terribly concerned about loan sharking and wants to put an anti-loan-shark amendment into the bill. The place to start in doing that is to take out of the bill the committee loan-shark amendment already in it which keeps the borrower from having any idea what rate he is being charged on a loan of \$100 or so, or on a credit purchase of that amount. A \$100 loan for one week at \$10 interest is 520 percent. The committee amendment exempting such transactions from rate disclosure would defeat the purpose of this bill.

It is not a "small business" amendment, such as the Senate apparently thought it was passing. It is clear that some of the Members of the other body thought it exempted only those credit transactions costing 10 or less—not \$10 credit charges on transactions up to \$110. By the time we took this up in the House committee, we had no such misunderstanding about it. Its purpose is to hide the comparative cost of credit on the usual small loan. How are people supposed to know they are being overcharged if they do not know the percentage rate?

Mr. Chairman, we must, as I said, remove these two special interest anti-consumer committee amendments from the bill. We will have full opportunity to do so either in Committee of the Whole House or on a rollcall vote.

If we succeed in that objective, as I hope we will, we will take to conference a bill which this House and its conferees can proudly defend as a real truth-in-lending measure. And we will earn the gratitude of every consumer, and of those businessmen—the great majority of businessmen in this country—who believe in the integrity and surging vitality of an economic system in which competition can be based on honest quality, price, and service, rather than on cus-

tomers uncertainty, confusion, and deception.

The credit industry should be particularly grateful. Out of the operations of this legislation should come needed help to the decent elements in this vital industry in overcoming unfair and dishonest competition from an unscrupulous minority engaging in practices which too often discredit credit and dishonor its ethics.

RESPONSIBLE MAJORITY OF CREDIT INDUSTRY RECOGNIZES NEED FOR LEGISLATION

Despite past misgivings of some leaders of the credit industry over the possible interference of truth-in-lending legislation with customary methods of doing business, that industry, on the whole, has been helpful to my subcommittee and to the full Committee in the development of technical aspects of this legislation. No industry wants regulation for the sake of regulation; but this industry, like all responsible industries beset by fringe operators who give a bad name to an essential service, has demonstrated a willingness to accept a significant number of long overdue reforms which can be accomplished only through legislation.

This bill would strengthen the overwhelming majority of those in the credit industry seeking to improve services to the public, not cheat the consumer.

The legislation should also encourage more consumers to use credit with care and responsibility, as it becomes more generally recognized that the "renting" of money, to use Calvin Coolidge's homespun description, or the deferred payment of purchases, cannot be cheap at a time when interest rates are the highest in generations.

Without the vast resources of the credit industry and the many new techniques it has developed for financing the purchase of goods and services, our record-breaking gross national product would quickly evaporate into a fraction of its present size. Homebuilding would stagnate, automobile sales plummet, the vast array of appliances and devices for improved living and recreation now within the reach of the average family, would be reserved to the very wealthy.

But too many Americans have found "easy credit" far easier in terms of availability than in their ability to repay. The personal and family tragedies caused by overextension of credit are reflected in the alarming rising flood of personal bankruptcies.

This bill, by itself, will not curb the excessive appetite of credit addicts for luxuries they cannot afford. But, by spotlighting the true costs of various forms of credit, and limiting the ability of predatory credit outfits to use the process of garnishment as a bargain-priced substitute for reasonable investigation of the financial responsibility of potential customers, irresponsible practices in the use of credit can be sharply reduced. Of course, this assumes that the legislation as finally enacted will require full disclosure of consumer credit costs under uniform standards, and will retain restrictions on garnishment.

DELETIONS FROM H.R. 11601

Four controversial provisions of the bill, as originally introduced, were deleted

from the measure in subcommittee, on my motion, after hearing demonstrated a lack of adequate support for them from both administration and consumer witnesses, and reflected uniform opposition from business.

These provisions were inserted in the bill originally for the very purposes they did serve; that is, for an airing of issues in the field of credit utilization, which have been neglected, but which nevertheless deserve public attention. I am convinced that these proposals, as included originally in the bill or in some other form, will eventually become law. Our hearings succeeded in stimulating some significant interest in them, even if not enough to achieve passage. But these hearings should speed the day when they will receive greater legislative attention. However, the proposals referred to were not regarded by me, or by any of the cosponsors of H.R. 11601, as attainable in this legislation at this time.

1. A FEDERAL USURY CEILING

One was the proposal for a Federal ceiling on the percentage rate of credit charges. This idea was suggested by Chairman WRIGHT PATMAN, foe of unconscionable interest rates. The arbitrary figure used in H.R. 11601 for discussion purposes was 18 percent. Such a limit would probably close down most of the small loan firms in the country, which charge fees ranging far higher than 18 percent, up to legal ceilings in some States of 42 percent, and even higher rates in States which do not regulate such charges. The purpose of the 18-percent figure was not to close down legitimate businesses, but to educate us all to the realities of credit's high costs, with the hope that a viable and fair ceiling might be devised and eventually enacted. Let us hope that the States can take care of this problem by proceeding to revise and reform their generally outmoded or ineffectual laws on maximum rates.

2. STANDBY CREDIT CONTROLS FOR NATIONAL EMERGENCIES

The second proposal deleted in subcommittee called for the creation of machinery for standby controls over consumer credit, to be used only in periods of grave national emergency. When such a law was recommended to the House in 1966 by our committee, as an amendment to the Defense Production Act—where it belongs—it was defeated on two grounds: first, that we were not in a national emergency; and second, that no hearings had been conducted on the proposal. It is my view that the authority for standby credit controls, which would be needed instantly in a war situation, should be enacted not when we are engaged in a battle for our national survival—when calm appraisal by the Congress of the details of such legislation would be impossible to achieve—but before an emergency requiring them even begins to appear over the distant horizon. Like some of our other defense weapons we hope we never have to use, economic defenses for emergency situations should be enacted and placed on the shelf—ready to use instantly if disaster should strike.

Our hearings developed no great clamor for these standby economic defense powers—quite the contrary. But

they also brought out clearly the lack of effective machinery in our existing laws for confronting a possible extreme danger to our economic survival from the sudden inflationary impact of a great national emergency. I felt that the immediate objectives of placing this provision in H.R. 11601 were served in the hearings, and therefore moved to delete this section from the bill.

3. MARGINS ON COMMODITY FUTURES

The third controversial proposal dropped in subcommittee from H.R. 11601 dealt with the regulation of margins on commodity futures trading. This is a vastly neglected issue involving the use of small downpayments, or "earnest money" on futures contracts worth many thousands of dollars; traded in by professionals and numerous amateurs betting on a rise or fall in the prices of dozens of different basic commodities—not just agricultural commodities, but also many essential defense materials. Excessive speculation at very low margins can and does influence the prices of such commodities, causing wide and unbalancing swings in these prices during any periods of market dislocation, yet no Federal agency has a word to say about the margins which are set by the various privately run exchanges.

The stock market was—disastrously—free of margin regulation prior to the enactment of the Securities and Exchange Act of 1934, giving margin control powers to the Federal Reserve Board; all of the futures markets, however, are still exempt from any Federal margin regulation. This issue remains to be solved. The hearings on H.R. 11601 contributed to public awareness of the problem, but not enough so to bring about legislation at this time. Thus, I moved to remove this provision also from the bill.

4. "CONFESSION OF JUDGMENT" NOTES

The fourth deletion from H.R. 11601 dealt with a proposed ban on "confession of judgment" notes. These are instruments of financial self-incrimination which are imposed by some segments of the credit industry, usually on trusting but naive consumers who innocently sign away their legal rights as a required, but not understood formality, of a credit transaction. Despite later utter lack of good faith by the seller or lender, or even outright cheating on the quality of the goods purchased on credit, the customer is left with no legal right of self-defense against the alleged debt, and is often gouged to the last penny of the obligation, plus, in many instances, a multitude of added-on charges, fees, and penalties representing outright financial cruelty.

Essentially, this is a problem for State laws to solve. But, like many of the other problems in the consumer credit field, action at the State level has been excruciatingly slow. I sincerely hope the information brought out in our hearings on the legal trappings of credit entrapment, so widespread in consumer credit transactions involving the poor and uneducated, will help to end such practices as the use of confession of judgment notes.

THE CONSUMER MUST FIGHT FOR HIS RIGHTS

In connection with this legislation, I strongly urge the leaders of our many

voluntary nonprofit organizations, public agencies, newspapers and other mass media, and all whose interest in political issues is primarily from the standpoint of the public interest, rather than special economic interest, to alert the consumers of this country to the many protections they already enjoy by law, to encourage them to seek and obtain the help which is available to them and educate them on how to fight for their rights in the credit marketplace. Agencies engaged in aspects of the war on poverty must become particularly alert to their opportunities to help individual families protect themselves from the predatory racketeers which infest the fringe of the credit industry and which zero in on those least able to defend themselves.

H.R. 11601—if enacted by Congress without destructive amendments such as the revolving credit and \$10 exemptions recommended as committee additions to this bill—can provide substantial additional help to all consumers, from highest to lowest economic levels, in utilizing credit with greater selectivity and effectiveness. The greatest need for this help, of course, is at the lowest income levels, where the words "credit" and "gouge" are often synonymous to the user-victim. If H.R. 11601 can succeed in this objective, all who participate in its enactment can be proud of having had an opportunity to serve in the cause of economic decency.

Mr. PATMAN. Mr. Chairman, will the gentlewoman yield?

Mrs. SULLIVAN. I am happy to yield to the chairman, the gentleman from Texas.

Mr. PATMAN. The gentlewoman referred to two important amendments which must be defeated. Am I correct in assuming that one of them relates to the language on pages 10 and 12, sections 203(b) (7) and 203(c) (5) about the \$10?

Mrs. SULLIVAN. The exemption for transactions in which the credit charge is \$10 or less—that is, loans or purchases up to about \$110.

Mr. PATMAN. Yes; and the other one relates to the language on page 13, line 12, and on page 14, lines 10 through 13, dealing with the change from an annual percentage rate to a periodic percentage rate for revolving credit.

Mrs. SULLIVAN. Yes.

Mr. PATMAN. So we must restore the word "annual" and strike out the words "per period" on page 13, and restore the original language in lines 10 and 11 of page 14. Is that correct?

Mrs. SULLIVAN. Yes. If I may clarify the point for the Committee of the Whole House, Mr. Chairman, the language of the original bill on annual rate for revolving credit has a line stricken through it now.

The language that is shown in italics on those pages to which the gentleman refers are the amendments that were adopted in committee. These are the amendments I am asking the Committee of the Whole to vote down.

Mr. PATMAN. On pages 13 and 14.

Mrs. SULLIVAN. Yes; that is on the revolving credit exemption, and on pages 10 and 12 are the amendments on the \$10 exemption. Probably we will ask that

where two or more amendments relate to the same thing, they be considered en bloc when the time comes.

Mr. PATMAN. Mr. Chairman, I thank the gentlewoman.

Mrs. KELLY. Mr. Chairman, will the gentlewoman yield?

Mrs. SULLIVAN. I am happy to yield to the gentlewoman from New York.

Mrs. KELLY. I wish to take this opportunity to compliment the gentlewoman from Missouri for the part she has played in bringing this bill to the floor. Her role was strong and strenuous. She devoted tremendous time and effort to the hearings and was determined that we have a good truth in lending bill.

I realize the gentlewoman would want me to say she alone is not responsible for this bill, but we all know the great work she has performed on this issue, as she has done on all legislation for the consumer.

I really hope the members of the Committee will support her in the arguments she has presented so ably and so well in her excellent speech.

I thank the gentlewoman for yielding.

Mrs. SULLIVAN. I thank the gentlewoman from New York for her kind words. She has been a strong supporter of truth in lending and has introduced her own bill on this subject.

Mr. Chairman, I urge the adoption of this bill and I urge the Committee to vote down the two amendments I described when we reach them in the bill under the 5-minute rule.

Mr. PATMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Texas [Mr. GONZALEZ].

(Mr. GONZALEZ asked and was given permission to revise and extend his remarks.)

Mr. GONZALEZ. Mr. Chairman, I am honored to follow the gracious and distinguished Congresswoman from Missouri, Mrs. LEONOR SULLIVAN, and to endorse her position on closing the important loopholes in the Consumer Credit Protection Act. As a member of Chairman SULLIVAN's Consumer Affairs Subcommittee, I can testify to her zeal and leadership in behalf of the American consumer.

I am a cosponsor of H.R. 11601, and have been privileged to participate in the hearings on this important legislation. I feel distinctly honored to be associated nationally with full and complete disclosure of interest rates both in contracts and advertising, for this caps a fight I have been engaged in since my service in the Texas State Senate.

While I wholeheartedly support the strongest consumer protection provisions, I have a special interest in wage garnishment. My position has been for total and outright banishment of this unnecessary collection process. My native State of Texas has constitutionally prohibited all garnishment since 1876.

Total prohibition works well in Texas. It protects the wage earner; it has not hampered the growth of the consumer credit industry.

Despite my consistent and active support of total garnishment as originally contained in H.R. 11601, the full committee amended the bill to prohibit garnishment of 90 percent of a worker's

wage, after exempting the first \$30 weekly. However, I accept this compromise as reasonable. H.R. 11601 now restricts commercial garnishment to 10 percent of a worker's wage above \$30. This restriction does not effect court support judgments, nor does it effect State or Federal tax assessments.

I will have more to say in support of prohibiting garnishment later in the debate. At this time I just wish to reiterate my enthusiastic support of consumer credit protection.

Mr. FINO. Mr. Chairman, at this time I yield 2 minutes to the gentleman from Pennsylvania [Mr. WILLIAMS] for the purpose of asking the gentlewoman from Missouri a question or two.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I thank the gentleman from New York for yielding this time to me.

On page 9 of the bill as it was originally presented, section 203, subsection (b) it states:

This subsection applies to consumer credit sales other than sales under an open end credit plan. For each such sale the creditor shall disclose, to the extent applicable—

And then it goes on to list the things which must be disclosed under the type of credit which we know as installment credit. No. 6 thereof states "the amount of the finance charge," and, of course, this amount would have to be expressed in dollars and cents. Yet when I go over to page 13 where we get the provisions that must be disclosed by the creditor to a revolving charge account customer, which, of course, is an open end credit plan, I fail to find any place in here where the actual disclosure of dollars and cents in finance charges is required. Why is that omitted as far as open-end credit plans are concerned?

Mrs. SULLIVAN. If the gentleman will yield?

Mr. WILLIAMS of Pennsylvania. I yield to the gentlewoman.

Mrs. SULLIVAN. Opening a revolving, or open end credit account, is like opening a line of credit. The definition of an "open end credit plan" is found on page 8 of the bill, section 202(g) which says:

(g) "open end credit plan" means a plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

This, of course, is completely different from an installment type of contract, where you know in advance what the credit charges will be in dollars and cents.

You cannot predict in advance what the dollars and cents credit costs will be on a revolving account, but you can—as we do—require them to tell you each month what the charges were for the previous month. And how those charges were determined.

Mr. WILLIAMS of Pennsylvania. That is the point I am making. Unless you know the dollars and cents that the credit is going to cost you in advance, how will you figure the annual interest rate?

Mrs. SULLIVAN. As I argued with the gentleman during the hearings and also

in committee, I think any sixth grade student can tell us how they figure and apply interest rates. We have had this argument time and time again. The claim is made that 1½ percent is not 18 percent per year. The only thing I can tell you is if anyone in this House will put down the figure of \$100 as the balance that is due and the department store is going to charge them a 1½-percent service charge on that \$100, that equals \$1.50 for that payment for that month for a service charge.

Now, we figure the old way that we were taught to figure interest, and multiply 18 percent of \$100 and divide that result by 12, because this is a monthly bill, and it comes to the same \$1.50. There cannot be any question about 1½ percent a month being 18 percent a year. It is the nominal annual rate. Just as 2 percent a month would be 24 percent a year.

Mr. WILLIAMS of Pennsylvania. Well, permit me to say in answer to the response by the distinguished gentlewoman from Missouri that if it is that simple in the form of dollars and cents, then it should be included in this bill. However, I do not agree it is that simple.

Mr. FINO. Mr. Chairman, I yield myself such time as I may consume.

(Mr. FINO asked and was given permission to revise and extend his remarks.)

Mr. FINO. Mr. Chairman, I rise in support of H.R. 11601 and it is a bill for which we have waited a very long time.

Mr. Chairman, I would like to begin by stating that this legislation in the opinion of the minority is the toughest truth-in-lending bill that has ever been debated by either House of the Congress of the United States.

Now, Mr. Chairman, the distinguished gentlewoman from Missouri [Mrs. SULLIVAN] made much of the fact that the former Senator from Illinois, a Senator Douglas, who was a pioneer in the advocacy of this type of legislation and who is the past principal advocate in truth in lending has praised the Senate truth-in-lending bill as a milestone.

Mr. Chairman, as I indicated, our bill is even tougher and more comprehensive than the Senate bill.

In my opinion this is a piece of legislation of which we can be proud. It does represent a big forward step toward protecting the American consumer. In a nutshell, the bill which our committee reported out and which is now before us for consideration, does the following:

First. It requires full disclosure of financial charges in both credit transactions and offers-to-extend credit.

Second. It provides for truth-in-credit advertising.

Third. It requires mortgage lenders to disclose annual rates regarding the financial charges on both first and second mortgages.

Fourth. It prohibits the garnishment of a workers' wages in excess of 10 percent and exempt \$30 per week of his earnings.

Mr. Chairman, several of these provisions are not contained in the Senate bill; namely, truth-in-credit advertising and disclosure of rates and charges on first and second mortgages.

Mr. Chairman, it is my opinion that our bill is as strict as we can feasibly make it. And, I say to the Members of this House that we should not try to enlarge its scope further until we see how its essential provisions work and not do anything further until we have had an opportunity to see this legislation work. In other words, we can always come back next year and amend and modify and change the legislation in order to meet the changing conditions or the objections that might be found to it.

Mr. Chairman, I would like to elaborate for a minute on this bill and the Senate bill as well, which excludes revolving charge accounts from the requirement of stating interest in annual figures.

Mr. Chairman, our committee decided that annual percentage rate statements would not—and I repeat—would not accurately reflect the credit charges actually imposed upon such transactions. Our decision hinged upon the fact that most revolving credit arrangements give customers a free ride for a month or two so that monthly interest rates actually apply to several months and are thus distorted if put on an annual basis.

Let me say, however, that this exclusion is only to apply to a narrow range of revolving charge accounts. It is not our committee's intention to let most types of credit activities escape from annualizing disclosure under the provisions of this bill.

Our committee has said that only ordinary revolving credit plans are to be exempted from the annual requirement. With this strict interpretation in mind, I believe that the revolving credit provision of the compromise bill now before us is a sound, good bill, and I hope that it will be maintained by this House and supported by this House.

No doubt many people will say that this bill is not perfect, and they are right. No bill is ever perfect. But I believe that this bill represents a good, basic attack on the problems of truth in lending, and I further believe that it is a good beginning solution of a problem which has been debated back and forth for many years.

As the Members of this House well know, this problem has been with us a long time. The Senate took 7 years to bring a bill before that body, and before they passed it.

Not only does it set up reasonable guidelines for representing the features of credit transactions, but it sets up criteria for credit advertising and it includes a workable enforcement section.

This bill is no instant solution for all the turmoil arising from consumer credit problems in this country, but it clearly will be of major importance in assisting the American people, the American consumers, to make better and safer use of consumer credit, and that certainly should be our basic objective.

Certainly after many years of deliberation and debate and hearings—and we had weeks and weeks of hearings before our committee—the time has finally come for action, and I urge the House Members to pass this bill as it was reported by the committee. We went through all

of the arguments that the gentlewoman from Missouri [Mrs. SULLIVAN] will present to this House tomorrow. We debated the pros and cons, and after due deliberation a majority of the committee came out and supported this type of legislation now before us.

So let us not try to legislate on the floor of the House tomorrow with amendments that will probably cause great difficulties and turmoil with respect to this legislation. We do not need any additional amendments to this bill. I believe it is a good bill. We might have some difficulty when we get over to the Senate side on a conference, because this is a much stronger bill than was proposed and passed by the Senate, but let us not unnecessarily complicate this legislation with amendments that will be proposed tomorrow.

As I said earlier, and I repeat here now again, this bill, H.R. 11601, is a sound and strong piece of legislation in which we can take pride. This measure represents a big step in the right direction to safeguard the American consumer. I urge the House to accept this legislation when it comes up for a vote tomorrow.

Mr. McCORMACK. Mr. Chairman, would the gentleman yield?

Mr. FINO. Mr. Chairman, I would be very happy to yield to the distinguished Speaker.

Mr. McCORMACK. I thank the gentleman for yielding.

It has been said that the revolving credit provision, as reported out of the committee, creates discrimination in that it benefits or exempts some of the large credit houses, and includes practically all of the business that are competitive.

Would the gentleman explain the operation of this provision in reference to those who are included and those who are excluded and whether or not it makes it competitively more difficult for those who are included over those who are not included?

Mr. FINO. We must first bear in mind the revolving credit provision applies to only 3 percent of all the credit.

Second, our committee in determining that this was the best approach did so on the basis of the testimony before the committee and all of the testimony before our committee with charts. I do not profess to be an accountant or an expert on figures, but all of these charts indicated that if you were to take into account a revolving credit account in no event will it ever reach the figure of 18 percent per annum—never.

What we would be doing if we were to adopt the suggestion of the gentlewoman from Missouri in annualizing this to 18 percent then is that we would be telling all these department stores that you are so concerned about—go ahead, charge 18 percent even though it does not come to 18 percent.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. FINO. I yield to the gentlewoman.

Mrs. SULLIVAN. First of all, some of these revolving credit accounts come out to an effective rate of more than 18 percent, but all we are asking for is the nominal rate of 12 times the monthly

rate. It is figured on a monthly balance which may change each month, but the rate is always the same. They do not wait until the end of the year to bill their customers. They bill them monthly. But whether they say they charge 1½ a month or at a rate of 18 percent a year, it would come out to absolutely the same figure.

Most of the department stores in this country and the big catalog houses charge at least 1.5 percent per month, and that is 18 percent a year.

Mr. FINO. The gentlewoman and I are in complete agreement that the charge is 1.5 percent per month. The only time that we part company is on the gentlewoman's contention that 1.5 percent per month times 12 is 18 percent. The testimony, as the gentlewoman knows, in the hearings, and she chaired all the hearings—the testimony before the committee clearly indicated that in no event do the charges on revolving credit accounts come to 18 percent.

Mrs. SULLIVAN. I would not agree to that statement. We have a staff report in the hearings which disputes that statement. In any event, may I just read this telegram. Perhaps you have received this same telegram, which is from Mr. Ashley D. DeShazor, vice president for credit of Montgomery Ward. He testified for all of the catalog houses before our committee and for the retail association.

His telegram says:

If the requirement to disclose the monthly rate is regarded as inadequate and an annual rate is to be required, then all grantors of revolving charge credit should be required alike to disclose the nominal/as opposed to effective/annual rate which is the periodic rate multiplied by the number of payment periods in a year.

This is all that we have been asking for over the past 7 months. If the gentleman has received the same telegrams from these big catalog houses that I have received, it is clear that the biggest houses have now had a second look at the legislation and they are no longer happy with the amendment that was put in by the committee by a vote of 17 to 14. This is significant, because Mr. DeShazor testified for it.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. FINO. I yield to the gentleman from Pennsylvania.

Mr. WILLIAMS of Pennsylvania. I do not believe that the entire program was read. If you read the early part of that telegram a different position is taken.

Mr. FINO. Will the gentleman from Pennsylvania please, for the benefit of the Members, tell the House who that telegram is from.

Mr. WILLIAMS of Pennsylvania. The telegram is from Ashley D. DeShazor, vice president of credit, Montgomery Ward.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield at this point for just a moment?

Mr. FINO. I yield to the gentlewoman.

Mrs. SULLIVAN. I called Mr. DeShazor last night when I received his telegram because it seemed to me that several of the words in the telegram were garbled or not properly recorded. I said to him, "Before I repeat this telegram, I want to

understand what you are saying the last sentence apparently clarifies it." I said "I would like to release this telegram, and reading this last sentence explains what you mean. And I will not do it without your consent." He said, "You have my consent."

You can call Mr. DeShazor and verify that. I am herewith attaching my full statement on this last night and the telegrams I received, as follows:

STATEMENT BY MRS. SULLIVAN

I've just received telegrams this afternoon from two of the big Chicago mail order houses notifying me for the first time that they do not favor the revolving credit exemption in the truth-in-lending title of H.R. 11601. These wires came from Spiegel's and from Montgomery Ward.

Spiegel's believes the amendment is "unfair and discriminatory." This, of course, is exactly what I have been saying. Montgomery Ward sent me a telegram which I found very hard to understand without calling the man who sent it to me, Mr. Ashley D. DeShazor, Vice President for Credit.

What it comes down to is that the revolving credit exemption contains conditions which Mr. DeShazor now says cannot be met by some revolving credit plans. Unless all revolving credit plans without exception can have the benefit of a monthly rate, he told me that his firm now favors an annual rate for all revolving credit based on the "nominal" rate as determined by multiplying the monthly rate times twelve.

This is an extremely significant breakthrough among the large retail chains. Added to all of the protests Members of the House have received from bankers, independent merchants of all kinds, and from consumers, I do not see how more than a handful of Members would now be willing to vote for a special interest exemption in this bill which benefits only some of the department stores and just some of the big chain retailers. I have just called Sears Roebuck and they say they feel now the same way about this as Montgomery Ward.

I am attaching these telegrams and statements.

CHICAGO, January 29, 1968.

Representative LEONOR K. SULLIVAN,
House of Representatives,
Banking and Currency Committee,
Washington, D.C.:

Regarding the truth-in-lending legislation pending in the House of Representatives, Montgomery Ward, which has both traditional installment time payment contracts and revolving charge plans, takes the position that it favors disclosure of annual rate on time payment contracts since such disclosure is commercially feasible and can be accurately stated. With respect to revolving charge accounts, Montgomery Ward is opposed to a requirement of simple annual rate disclosure since it is impossible to predetermine an effective annual rate on retail revolving charge accounts. Monthly rate disclosure is full and accurate disclosure. If the requirement to disclose the monthly rate is regarded as inadequate and an annual rate is to be required, then all grantors of revolving charge credit should be required alike to disclose the nominal—as opposed to effective—annual rate which is the periodic rate multiplied by the number of payment periods in a year.

ASHLEY D. DE SHAZOR,
Vice President, Credit, Montgomery Ward.

WASHINGTON, D.C.,
January 29, 1968.

HON. LEONOR K. SULLIVAN,
Rayburn House Office Building,
Washington, D.C.:

Contrary to the information contained in the news story on page two of today's Washington Post not all mail order houses in Chi-

cago are supporting the Senate definition of revolving credit as contained in the committee adopted bill reported from the House Banking and Currency Committee. Spiegel Incorporated believes that the committee adopted definition of revolving credit is unfair and discriminatory. The committee adopted definition treats one group of retailers in one manner and another group of retailers in yet another manner. Spiegel believes that uniformity is essential to any statute adopted by the Congress involving costs of credit disclosure. We urge that the House delete the Senate definition of revolving credit and adopt procedures which afford all retailers equal treatment.

CYRUS T. ANDERSON.

RELEASE GIVEN TO MRS. LEONOR K. SULLIVAN
BY MR. LARRY O'CONNOR, VICE PRESIDENT
AND GENERAL COUNSEL, SEARS, ROEBUCK &
CO., CHICAGO, ILL., JANUARY 29, 1968

Sears believes that all grantors of open end credit should be afforded equal treatment in credit legislation.

For seven (7) years the retailing industry has maintained that it is impossible to predict the simple annual rate of any open end credit plan. Congressional recognition of this fact appears throughout the hearings and Committee reports of both S-5 and H.R. 11601. It follows that the only possible annual rate for open end credit that is capable of being precalculated is a nominal annual rate using the formula of 12 times the monthly charge. This creates three choices for handling open end credit:

1. Exempt all open end credit from annual rate disclosure; or
2. Require the disclosure of only the monthly charge; or
3. Require the disclosure of both the monthly charge and the nominal annual rate.

Whichever alternative Congress decides to adopt, it is our opinion that it should be applied equally to all grantors of open end credit.

Mr. WILLIAMS of Pennsylvania. Would you care for me to read the telegram in its entirety?

Mr. FINO. Yes, I would like for the gentleman to read the telegram.

Mr. WILLIAMS of Pennsylvania. The telegram reads as follows:

Regarding the truth-in-lending legislation pending in the House of Representatives, Montgomery Ward, which has both traditional installment time payment contracts and revolving charge plans, takes the position that it favors disclosure of annual rate on time payment contracts since such disclosure is commercially feasible and can be accurately stated. With respect to revolving charge accounts, Montgomery Ward is opposed to a requirement of simple annual rate disclosure since it is impossible to predetermine an effective annual rate on retail revolving charge accounts.

Mr. FINO. I thank the gentleman.

Mr. HANNA. Mr. Chairman, will the gentleman yield?

Mr. FINO. I yield to the gentleman from California.

Mr. HANNA. I want personally to thank the Speaker for bringing to the Committee the question he has asked. I wish to assure the Speaker and this House that I shall clearly disclose to them the reason that Montgomery Ward is now for the annual interest rate disclosure, why Sears, Roebuck is now for it, and why Spiegel has always been for it. They are for it, and I assure you and will prove to you not for what the interest rate discloses, but for what it covers; they are for it not for what it does for the consumer but because of what it does for them. But if there is any specific gain to

be had out of this legislation, I assure you I will show you that it is for these specific people if we adopt that specific plan.

Mr. FINO. I thank the gentleman.

Mr. MINISH. Mr. Chairman, will the gentleman yield?

Mr. FINO. I am happy to yield to the gentleman from New Jersey.

Mr. MINISH. I thank my good friend from New York.

Did I correctly understand the gentleman to say that Senator Douglas prefers the bill that is now before the House?

Mr. FINO. Senator Douglas came out in strong support of the Senate bill when it came out of the Senate. He thought it was a good, sound bill. And this bill, as I indicated in my opening remarks, is a much better bill than the Senate bill.

Mr. MINISH. Mr. Chairman, will the gentleman yield further?

Mr. FINO. Certainly.

Mr. MINISH. I would like to quote from the hearings:

Mr. MINISH. Do I understand that to mean that you support the House version of the bill?

Mr. DOUGLAS. Yes; I prefer the House version except I don't think you need to have everything in the House bill.

But on the point specifically dealing with consumer credit—your bill—and I am happy that Congressman Gonzalez and you and Congressman Annunzio, my old friend, are cosponsors of this bill. Your bill is superior to the Senate bill. And I think if you got Senator Proxmire here, he would say so, too. He had his back to the wall. He was fighting for his life against a hostile committee, remember that. It is marvelous that he got it through over the privileged opposition.

Mr. FINO. I thank the gentleman for his contribution.

Mr. HALL. Mr. Chairman, will the gentleman yield?

Mr. FINO. I yield to the gentleman from Missouri.

Mr. HALL. I appreciate the gentleman's yielding. I simply seek information. Many of us have not been privy to all of these hearings, such as the committee has, and I am sure they have done excellent work. But from reading the report, we know there are several methods of computing financing or carrying charges, and it gets a little confusing to see the different types of carrying charges for the so-called disclosure at monthly or even annual rates. Would not different figures occur in using the different computing methods such as the first, the Merchants rule; or, second, the U.S. rule, or, third, the constant-ratio formula?

Mr. FINO. I would assume so.

Mr. HALL. Under that circumstance, and again under the disclosure provisions of this bill, would different figures appear in the applying of different computing methods for finance charges or annual rates? I think this is all we need to know.

Mr. FINO. I think there would be a difference between the monthly rate and the new rate, more particularly when we are dealing with the open-end or the revolving account, where payments are being made during a period of months and purchases are being made during the same period of months. That is why the department stores indicated it would be

very difficult to say that the rate would be 18 percent at the end of the year.

Mr. HALL. I understand there would be a variation. It would be hard for one skilled even in integral calculus to determine the result when payments are being made and purchases are being charged to various accounts in varying amounts. Finally, this leads to the question as to what computing method does this legislation call for in calculating finance charges?

Mr. FINO. I am sorry; my attention was distracted for a moment.

Mr. HALL. What computing method does this legislation call for in calculating the annual finance charges? That is the meat of the coconut, as far as a decision about supporting this legislation in title I is concerned.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. FINO. I yield to the gentleman from Pennsylvania.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I thank the gentleman for yielding.

I think I can answer that question by referring to page 15, the point the gentleman from New York [Mr. FINO] has been making, that in order to compute the annual interest rate as it applies to a revolving charge account, certain factors must be known in advance, which are not known in advance with this type of charge account.

On page 15, subparagraph (5), it says:

Any creditor under an open end credit transaction shall furnish any party to the transaction with a written estimate of the approximate annual percentage rate of the finance charge on the transaction determined in accordance with regulations issued by the Board, if the party making the request specifies or identifies the repayments schedule involved and such other essential credit terms as may be prescribed in the regulations issued by the Board.

So all this bill provides is that the purchaser will make available to the merchant in advance the necessary information. Then the merchant shall compute the approximate annual interest rate and furnish that to the customer.

Mr. FINO. Mr. Chairman, at this time I yield 3 minutes to the gentlewoman from Massachusetts.

(On request of Mr. FINO, and by unanimous consent, Mrs. HECKLER of Massachusetts was allowed to speak out of order.)

DAVID G. OUELLET, SEAMAN, U.S. NAVY, DECEASED—AWARD OF MEDAL OF HONOR

Mrs. HECKLER of Massachusetts. Mr. Chairman, I rise on this occasion to call to the attention of my colleagues one of the most significant acts of heroism of the Vietnamese war, acknowledged today by the U.S. Government, by the Secretary of the Navy, in the presentation of the Medal of Honor to David George Ouellet, a constituent of mine, who paid the ultimate price for the safety of his comrades in Vietnam. Over 500,000 men have served or are serving in Vietnam; 26 of those brave men have been singled out for this special award.

David Ouellet served in the Navy and was trained in river patrolling. After serving in the training school, he was

sent to Vietnam and there he performed one of the most heroic acts of this unfortunate war. The citation accompanying the award, which was awarded today posthumously to his parents, Mr. and Mrs. Chester J. Ouellet, of Wellesley, Mass., states:

For conspicuous gallantry and interpidity at the risk of his life above and beyond the call of duty while serving with River Section 532, in combat against the enemy in the Republic of Vietnam. As the forward machine gunner on River Patrol Boat (PBR) 124, which was on patrol on the Mekong River during the early evening hours of March 6, 1967, Seaman Ouellet observed suspicious activity near the river bank, alerted his Boat Captain, and recommended movement of the boat to the area to investigate. While the PBR was making a high-speed run along the river bank, Seaman Ouellet spotted an incoming enemy grenade falling toward the boat. He immediately left the protected position of his gun mount and ran aft for the full length of the speeding boat, shouting to his fellow crewmembers to take cover. Observing the Boat Captain standing unprotected on the boat, Seaman Ouellet bounded onto the engine compartment cover, and pushed the Boat Captain down to safety. In the split second that followed the grenade's landing, and in the face of certain death, Seaman Ouellet fearlessly placed himself between the deadly missile and his shipmates, courageously absorbing most of the blast fragments with his own body in order to protect his shipmates from injury and death. His extraordinary heroism and his selfless and courageous actions on behalf of his comrades at the expense of his own life were in the finest traditions of the United States Naval Service.

Despite our differences in posture on the war in Vietnam—whatever position each of us may hold—we join in respect for and gratitude to the servicemen who represent us and serve us.

We join today in paying honor and respect to the family of this outstanding seaman, who is an inspiration to each and every one of us.

It is with great honor and with personal sadness that, as the Representative from his district, I call this tragic and heroic feat to the attention of the Congress.

The CHAIRMAN. The time of the gentlewoman from Massachusetts has expired.

Mr. PATMAN. Mr. Chairman, I yield 6 minutes to the gentleman from New Jersey [Mr. MINISH].

(Mr. MINISH asked and was given permission to revise and extend his remarks.)

Mr. MINISH. Mr. Chairman, while I view any legislation in the area of consumer credit and education as a step forward, and of course support such legislation, it is unfortunate that the legislation before the House today is not a complete bill, but rather one that deals with only a portion of the problem concerning the American consumer.

I had hoped that H.R. 11601 would not have been saddled with amendments that would strike the very heart from the legislation. But unfortunately two amendments adopted by the Banking and Currency Committee have stripped this bill of much of its total effectiveness.

It should be made clear that there are many sections of this bill that will prove of great benefit to consumers and wage

earners, such as title II, which provides for restriction on the garnishment of wages. The measure provides a restriction on garnishments to 10 percent of earnings of an employee above \$30 a week, and at the same time, prohibits an employer from discharging an employee by reason of a single garnishment of the employee's wages.

Levels of personal bankruptcies have risen at truly an alarming rate. While such bankruptcies were at a level of 18,000 per year in 1950, for the fiscal year ending June 30, 1967, personal bankruptcies had risen to 208,000. Personal debts canceled by virtue of such consumer bankruptcies reached about \$1.5 billion in that year. During hearings on H.R. 11601, the committee heard testimony, accompanied by supporting evidence, that clearly established a cause-and-effect relationship between harsh garnishment laws and high levels of personal bankruptcies. Statistics obtained from the bankruptcy division of the Administrative Office of the U.S. Courts further support this conclusion. In States such as Pennsylvania and Texas, which prohibit the garnishment of wages, the number of nonbusiness bankruptcies per 100,000 population are nine and five, respectively. While in turn, States having relatively harsh garnishment laws, the instance of personal bankruptcies range between 200 to 300 per 100,000 population.

Thus, I think it can quite clearly be seen that the garnishment section of H.R. 11601 is an important section of the bill.

I would be remiss and a victim of a guilty conscience, if I did not express my strong disapproval of two sections of this legislation that were adopted as committee amendments. The first provision would exempt from the annual disclosure requirements most department store revolving credit accounts. The second objectionable provision provides an exemption from any rate disclosure requirements of transactions in which the credit charge is \$10 or less.

The question thus arises in connection with this legislation is not who and what is covered by this legislation but rather who and what type of transactions are not covered by the bill but have been blessed with preferential treatment at the expense of the consumer.

Although revolving credit represents only about 5 percent of the outstanding consumer debt, it is one of the fastest growing areas in the total consumer picture and it is estimated that in only a few years it may equal roughly 50 percent of consumer debt. With this in mind, it does not seem equitable either for those businesses covered by the legislation or to the consumer to grant a blanket exemption to all revolving credit, merely because the department store and certain other retailers do not wish to state their interest charges on an annual basis. It seems strange to me that we are dealing with legislation that requires only some credit extenders to tell the truth about their rates on credit transactions, while large sections of our business population receive a total exemption from such rate requirements.

In short, these businesses are saying "we do not want to tell the truth."

The same reasoning applies to the exemption for transactions in which the credit charge is \$10 or less. This amount of credit charge would, in most cases, represent a credit extension of some \$110. By exempting these smaller amounts on the financial scale, we are turning our back on the poor- and moderate-income groups. Since it is those on the lower economic scale who are most victimized by unscrupulous lenders and creditors, it is imperative that the legislation have its greatest thrust in that income area. But as a result of this committee amendment, which I strongly opposed, the legislation does not go to that point nor seek to help those individuals.

It is my hope that the exemptions for revolving credit and for finance charges of less than \$10 will be defeated so that we can have a whole truth-in-lending bill.

Mr. WIDNALL. Mr. Chairman, I now yield 10 minutes to the gentlewomen from New Jersey [Mrs. DWYER].

(Mrs. DWYER asked and was given permission to revise and extend her remarks.)

Mrs. DWYER. Mr. Chairman, this is a bill of critical importance in many ways, especially to the 200 million American consumers who deserve protection against deceptive practices and who have a right to make an informed choice when it comes to borrowing money or buying on credit.

It is also a unique bill in one significant respect. It is the only major bill of a highly controversial character—in my memory—in which the controversy is centered on a miniscule 3 percent of the bill. I refer to the short-term type of revolving credit, or open-end credit, which today accounts for about 3 percent of the nearly \$96 billion of outstanding consumer credit.

Except for a few relatively minor points, it is this modest corner of the credit world which accounts for most of the dispute. Otherwise, there is virtually universal agreement that the truth-in-lending bill reported by our Banking and Currency Committee should be enacted into law without further delay. After all, the American people have already waited 10 long years for the protection this legislation will provide. Their impatience for action, I suggest, was reflected in the fact that the Senate approved similar legislation by a vote of 90 to 0, and our committee reported the bill favorably with only one dissenting vote.

Since revolving credit is the issue, I suggest we concentrate on resolving the issue and passing the bill. It is an issue that should be readily resolved, for the controversy that has surrounded revolving credit is, in my judgment, largely groundless. It is based on the mistaken assumption that all forms of credit are alike and thus can be subjected to the same simple disclosure formulas. This assumption is inaccurate, and to accept it would be to compare apples and oranges. The result would be unworkable and inequitable.

Contrary to what you will hear in this debate, there is no "loophole" for revolving credit in the committee bill. There is no blanket exemption for revolving credit from the annual rate requirements of the legislation. There are no inequities involved in the revolving credit provisions. Any lack of uniformity in the treatment of various kinds of credit is more apparent than real. Where differences exist, they are required by the very reasons of equity, accuracy, and honesty which this bill is designed to serve.

Revolving credit, Mr. Chairman, comes in two basically different forms: long term and short term. Long-term revolving credit resembles installment credit. It is used in the purchase of more expensive items in department stores. As such, it competes with stores offering installment credit plans and therefore can and should be subject to the same disclosure provisions. The committee bill recognizes these facts and provides for disclosure of such revolving credit costs on precisely the same annual rate basis as other forms of installment credit.

Short-term revolving credit is different. In addition to comprising only a tiny share of total consumer credit, it is substantially limited to lower-cost items. Repayment schedules, so-called free periods, and other credit practices vary widely. Unless this credit information is known in advance, there is no way to determine the actual finance charge either as a dollar figure or as an annual rate.

Therefore, unless the Congress is prepared to force all creditors using this kind of revolving credit to conform to a single system of credit, there is no way of establishing a single annual rate which will cover all the variations.

Here again, however, the committee bill is based on the realities of the situation, not on the superficial appearance of uniformity. Full disclosure of the accurate costs of credit is the goal and the bill provides for just this—no more, no less.

First of all, the committee bill requires creditors offering revolving credit plans to disclose far more detail about their credit plans than other forms of credit. In addition, this information must be regularly disclosed at each billing period, a requirement not imposed on other creditors. Finally, and most important, each customer is guaranteed the right to obtain, in writing, a statement of the effective—by which I mean actual or real—annual rate of his own individual finance charges. All he has to do is ask and provide his creditor with a proposed repayment schedule and related credit information—without which information no accurate determination of the annual rate is possible. The consumer's right to full information about the costs of credit, including the effective annual rate, would, therefore, be more than adequately protected by the committee bill.

The key word, Mr. Chairman, is "effective." In the case of bank loans, installment plans, and similar kinds of credit, the customer repays a stated amount at each period—usually monthly—and so the stated annual rate is the same as the effective annual rate. With short-

term revolving credit, there is no such regularity. Customers have wide leeway in deciding how and when and in what amounts to pay their bills, and the pattern of repayment they choose determines both the amount and the effective annual rate of their finance charges. No single arbitrary annual rate, therefore, would cover all revolving credit accounts. It can only be done on an individual basis—and the committee bill so provides.

Our position is very simple, Mr. Chairman. The hearings clearly showed that the effective annual rate of finance charges on short-term revolving credit is often less than 18 percent, even though the applied monthly rate is one and a half percent. The effective rate may be 12, or 14 or 16 percent a year. In any event, where the effective rate is substantially less than the applied 18-percent rate, we believe that accuracy and honesty requires disclosure of the effective rate, the real rate.

The problem becomes clearer—and the committee solution more compelling—Mr. Chairman, when we look at the alternatives.

Under the Senate bill, short-term revolving credit would be exempt from annual rate disclosure. Creditors would be required to reveal only the monthly rate, usually one and a half percent. This would place competitors in the banking and installment fields at a great disadvantage, if only for the reason that one and a half percent a month sounds a great deal less than the annual equivalents of 12 to 18 percent a year. Consequently, it would be unfair to many businesses and it would deny to consumers their right to compare the costs of alternate sources of credit. The committee bill, I repeat, removes this Senate exemption.

The proposal to require disclosure of a single annual rate for all revolving credit accounts—regardless of individual differences—would be similarly misleading. As we have seen, 1½ percent a month does not always yield 18 percent a year. To insist, when the effective rate is substantially less than 18 percent, that creditors disclose the higher and arbitrary figure would be a grave injustice to both creditors and customers. It would defeat the purposes of the bill. The only beneficiaries, obviously, would be those who seek an unfair competitive advantage.

Of potentially greater importance is this fact: If all department stores charging 1½ percent a month on their revolving credit accounts are forced to disclose an annual rate of 18 percent on all their accounts, then I predict it will not be long before such stores actually charge and get the 18 percent. It would be ironic, indeed, if truth in lending should be made the vehicle for raising already high finance charges. The American consumer would not be inclined to be grateful.

The same objections apply to the proposal to require disclosure for all forms of credit on a monthly rate basis. Here, too, the appearances of uniformity would only mask the substantial differences in effective interest rates and thereby deny consumers the availability of full and accurate information. Moreover, Mr. Chairman, I would remind our colleagues

that this proposal—despite its honorable auspices—was never considered by our committee, either during hearings or in executive session.

So much for the substance of revolving credit. It would be useful, also, to consider the politics of this issue.

The committee's solution to the revolving credit controversy was the product of careful and constructive compromise and the result of bipartisan cooperation. Of all the alternatives, it is the most widely acceptable to all parties at interest; it offers the greatest protection to consumers; and it is the most potentially effective, the fairest, and the most workable.

As such, it attracted the support of a bipartisan majority of the committee. Administration spokesmen have indicated they find the revolving credit compromise entirely acceptable. And the principal author of the Senate-passed bill has publicly stated his support of the committee bill.

To retreat now and jettison the committee compromise in favor of either of the more extreme and unworkable alternatives would only invite more controversy, create a lengthy impasse with the Senate, provide special advantages to a few, and introduce the danger that the final bill could not do the job which we and those we represent expect of truth-in-lending.

I should like to go on record, Mr. Chairman, on one other aspect of this bill. An amendment is being prepared, and I hope will be offered, to make "loan sharking" a Federal offense. When such operations involve or affect interstate commerce, I shall support such an amendment wholeheartedly. Through no fault of the bill, I believe it is obvious that it could not effectively stop the odious and criminal activity of loan sharking. It is also obvious that loan sharking is big, well organized, and entirely vicious. It can be stopped only by enlisting the authority of Federal law.

In the final analysis, Mr. Chairman, the purpose—the only purpose—of our bill is truth, and the truth will only be served by disclosure of the most accurate possible information about the cost of credit. We are not here to take care of special interests, or make adjustments to suit individual desires. Our only obligation is to the people and to the truth.

Mr. PATMAN. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. HANNA].

(Mr. HANNA asked and was given permission to revise and extend his remarks.)

Mr. JOELSON. Mr. Chairman, will the gentleman yield?

Mr. HANNA. I yield to the gentleman from New Jersey.

(Mr. JOELSON asked and was given permission to revise and extend his remarks.)

Mr. JOELSON. Mr. Chairman, I want to express my strong support of the truth-in-lending bill, of which I am a cosponsor.

It is a sad fact of economic life that the poor and uneducated pay more interest on loans and installment buying than the more well to do and educated. It is essential that they be given full and frank information on interest charges.

Testimony before congressional committees has disclosed scandalous patterns of gouging of the unwary by the unscrupulous, and I am encouraged and impressed by the fact that my mail indicates that most financial institutions and retailers favor the truth-in-lending bill which requires the disclosure of specified information about loans or credit.

Not only should we protect consumers against fast talking, doubletalking promoters, but we should also protect ethical businessmen against this type of unfair competition.

Mr. DULSKI. Mr. Chairman, will the gentleman yield?

Mr. HANNA. I yield to the gentleman from New York.

(Mr. DULSKI asked and was given permission to revise and extend his remarks.)

Mr. DULSKI. Mr. Chairman, we have an opportunity here to enact strong and meaningful legislation to provide consumer credit protection.

This legislation is needed, but I disagree with two crippling amendments which have been approved by close votes in the Committee on Banking and Currency. I shall oppose those amendments when they come up for vote.

One amendment would exempt revolving credit from the requirement for disclosure of annual rate. Approval of this amendment would create a damaging loophole in the bill.

Revolving credit, familiar in particular to credit customers of large department stores, is no small item in our economy. It accounts for nearly \$6 billion worth of credit sales annually to millions of consumers.

Further, the revolving credit loophole could very well become an escape hatch for other types of lenders who could simply convert from their present systems.

The second committee amendment I oppose would exempt from rate disclosure all credit purchases up to \$100. I fear this exemption would hit squarely the people we are most anxious to protect, the low and moderate income families.

As amended, the amendment exempts from rate disclosure any purchase where the interest and credit charges total less than \$10. The effect, of course, is to exempt all purchases and loans under \$100.

Otherwise, I support H.R. 11601 as it came from committee.

I might observe that the provision which would end abuses in the garnishment of wages to collect debts is patterned after New York State law which has worked out well.

Mr. HANNA. Mr. Chairman, I would first like to acknowledge kudos to the gentlewoman from Missouri [Mrs. SULIVAN], and the gentlewoman from New Jersey [Mrs. DWYER], for having given the appropriate leadership, as one would expect from the distaff side, on this great consumer problem. I believe that they, more than anyone else, deserve great credit for bringing this measure to the House.

I should also like to acknowledge the debt that is owed to our chairman, the gentleman from Texas [Mr. PATMAN] and the members of the committee who

have been of great patience and who have given unstintingly of their time and effort in trying to make a bill that would be acceptable to the people of the United States and to the House of Representatives.

I will take my time here to try to bring a little light to this subject, which is greatly confused, not only by those who are trying to help it in the House, but those who are trying to help it from without the House.

It seems to me that the compromise bill that we have brought before the House represents a strong and affirmative first step in the direction of defining the role of responsibility of the Federal Government in assuring adequate information for use by the American consumers in shopping for credit.

A CONTEXT OF CONFUSION

I am for this bill as amended by the House committee. But let us talk about the confusion which surrounds this issue which is thicker than pea soup and far less palatable. It is, in large measure, a result of impassioned cries which are being sounded from nearly every corner by parties at interest. There is a great misunderstanding concerning the principal issue that will be in contention tomorrow—open-end revolving credit. This confusion is a result of the countless chorus of interest groups, all of whom are singing a different tune.

Consumer groups, big bankers, big retailers, small retailers, big furniture dealers, small furniture dealers, and a polyglot of other interest groups are all registering their position on this issue. Some support the committee, but even their support is suspect and limited. Many oppose the committee's position feeling that the committee bill does not provide as much as is required to satisfy their narrow definition of self-interest.

Mr. DEL CLAWSON. Mr. Chairman, I think the gentleman is making a very fine talk here and discussing something that merits the attention of the House and all the Members of the House.

Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] Sixty Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 8]

Abbott	Eckhardt	Mink
Andrews,	Erlenborn	Monagan
N. Dak.	Foley	Moss
Ashley	Fountain	Passman
Brademas	Fraser	Resnick
Brock	Gubser	Rhodes, Ariz.
Brown, Mich.	Halleck	Robison
Cederberg	Hansen, Wash.	Rosenthal
Clark	Hathaway	St. Onge *
Clausen,	Hawkins	Shriver
Don H.	Kupferman	Smith, Iowa
Cleveland	Leggett	Springer
Conte	Long, Md.	Taft
Corbett	Lukens	Talcott
Corman	McClory	Tunney
Cramer	McCulloch	Van Deerlin
de la Garza	McFall	Whalen
Diggs	Mills	

Accordingly the Committee rose; and the Speaker having resumed the Chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that

Committee, having had under consideration the bill H.R. 11601, and finding itself without a quorum, he had directed the roll to be called, when 381 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The Chair recognizes the gentleman from California [Mr. HANNA].

Mr. HANNA. Mr. Chairman, when the point of no quorum was made, I was trying to clear up some of the confusion on the issue of revolving credit. To do so let us break down this issue. Basically there are three approaches to the question of disclosure of revolving credit:

First. Uniform disclosure of annual rate on all credit transactions.

Second. Uniform disclosure of the monthly rate on all credit transactions.

Third. Some combination of the two adapted to fit the varying characteristics of the credit transaction—the committee position.

Each of these positions has been emphatically argued by groups who believe their self-interest is best served by the given approach. There is nothing wrong with the way these groups have presented their position. Quite the contrary, this is a practice to which we have all grown accustomed. It is customary that interested groups should come forward to register their views. It is appropriate that the committee of the Congress should give each of these groups the full opportunity to register their position. This has been done. But let us not for a moment mistake the pronouncements of any of these groups who purport to espouse the general welfare, as being anything more or less than a position based on narrow self-interest.

Let us stop for a moment and analyze each one of the three approaches that I have enumerated in terms of the support they have. In doing so let us remember two basic facts:

First, that all revolving credit is not exempt from annual disclosure. It has been said that revolving credit encompasses 3 percent of all consumer credit. That is true. However, we are being misled because revolving credit plans under which the debtor pays less than 60 percent of the obligation are, by virtue of the provisions on page 8, lines 14–17 of the bill, required to disclose the annual interest rate. The committee adopted this approach to provide, where practical and meaningful, uniform disclosure.

The second and more important thing is this: that the 1½-percent rate that the gentlewoman from Missouri [Mrs. SULLIVAN] has been discussing is not an interest rate at all. It is an application of a rate that depending upon when it is applied and to what it is applied can be used to impose an effective annual rate of more or less than 18 percent. I will demonstrate to you that if you take 1½ percent and make it 18 percent, you are not telling the consumer the truth at all.

Who is for this? The leaders of the consumer groups long ago swore a blood oath that they would support an annual disclosure of all credit transactions on an annual interest rate basis.

This is the rock on which Senator Douglas broke himself for 7 years. Now they have rallied under this banner, and it has become sacrosanct. You cannot without your own peril take a position opposite to this, as being the right answer in truth in lending. The missionary zeal of these groups is so overwhelming that they have been willing to sacrifice everything—even the passage of a truth-in-lending bill—without which their argument has no context or practical meaning—to secure their objectives.

I respect these groups for their dedication to what they believe is in the national interest. However, I am unwilling to agree that their well-intended position should be embraced by this House. I do not believe that Congress would be discharging its responsibility if it failed to look behind this issue.

The consumer groups, if you look behind them, have suddenly some curious allies. For years they were attacking all the bankers and retailers for their opposition to the uniform annual disclosure. Now, suddenly we are receiving telegrams from Sears Roebuck and Montgomery Ward and other big catalog houses saying that we ought to go along with Mrs. SULLIVAN.

I will tell you the reasons these people have changed their position and are for the bill and you can judge for yourself what credence should be given their statements. All you have to do is to find out if their credit yield is higher than the 18-percent disclosure requirement Mrs. SULLIVAN has called for. If it is, they back Mrs. SULLIVAN. If they are for the committee bill and against Mrs. SULLIVAN it is because their yield is lower than the 18-percent-per-annum rate Mrs. SULLIVAN wishes to legislate.

Because the committee bill creates a division within the revolving credit, the high-cost lenders cannot in most cases, take advantage of the exemption given unpredictable balances. This is because the high cost of their credit makes most of them go beyond the time period of 1 year to pay 60 percent of the bill. Therefore, they are not included under the committee definition of revolving credit. Because of this they are exposed. Hence, their opposition to the committee bill.

Specifically Spiegel's credit plan is notoriously high cost. It is the largest, single house in the United States. Its repayment plan is so stretched out that only 30 percent of outstanding debt gets paid in a year and they cannot be protected by the House bill. They don't even come close to the 60-percent cutoff required. Thus, Spiegel's has, right from the first, urged annual rate across the board so they can hide their high effective charges behind a statement of nominal rate.

This is Spiegel's, and from the very outset they said—

We are against the committee bill and for Mrs. SULLIVAN.

Montgomery Ward, like Spiegel, does not fall within the 60-percent figure. Their credit is cheaper than Spiegel's but more expensive than Sears and Penney's. For a time, Ward's flirted with the committee position. They finally had to face the choice—disclose an annual rate or

shorten their terms and reduce their revenue. Faced with a declining competitive position and public antipathy for their involuntary insurance scheme, they opted to keep their terms, and therefore go along with the requirement that others disclose the same nominal rate, a ploy to hide Ward's higher costs.

Yesterday Sears announced support for uniform disclosure on a monthly or annual basis. Sears has shown great sensitivity at the State level to the question of different billing systems. It may well be that this sensitivity has led them to conclude that an exposure of their billing practices, though they are not as vulnerable as Ward's and Spiegel's, would be more to their disadvantage than a statement of annual rate.

Wards, Sears, and Speigels all prefer annual rate disclosure to revealing the true rate of yield generated by their credit plans which charge 1½ percent against the beginning balance. An example will suffice to clarify the rationale of their position. It is taken from Consumer Reports buying guide, "Facts You Need Before You Buy in 1968," page 398.

If the monthly finance charge is applied to something other than the unpaid balance, (Speigel's, Ward's and Sears all do this), interest rates can run considerably higher. A charge of 1½ % per month added to the initial purchase price in a one-year credit deal comes to 33 % interest. Some department stores, including Montgomery Ward and Sears, Roebuck & Co., charge a percentage of the opening balance on their monthly bill—the balance before subtracting any payments made or credits for items returned during the previous months. Interest is assessed on the entire balance. Thus, if the bill looks like this. Opening balance, \$100; payments, \$50; returns, \$10; and balance due, \$40.

Under the approach followed by Speigel's, Wards and Sears the service charge is levied against the opening balance. Hence, if the service charge is 1½ percent times \$100, or \$1.50, the charge is \$1.50. When it is compared with the balance due or \$40, it actually comes to \$3.75 per \$100 per month. The annual interest rate on that month's transactions is 12 times \$3.75 or 45 percent.

So I am telling you that you are not getting at the problem if you simply multiply 1.5 percent times 12 percent and conclude the rate is 18 percent. It is as simple as that. And anyone who thinks it is, is fooling himself and may unwittingly contribute to the deception of the American consumer.

The bank credit card systems are almost all forced to state an annual rate by the committee bill. They have a long-term pay-out period designed to insure a high yield. Since they are in direct competition with retail credit cards, they naturally would benefit if the retailers are required to make the identical disclosure that they already make. So that gives you the bank position. That is one of the most important things to know about why the banks are taking the position they are taking about the committee amendment.

Also the banks would have less flexibility than the retailers should the committee version prevail. Wards, for example, could forge some revenue, shorten their terms, and qualify for the exemption that is given under the bill. But the

banks could not raise their prices in order to cover the loss in revenue.

The furniture dealers have a different reaction. Most of them sell strictly on installment credit. The same is true of the automobile dealers. They fear competition from those who extend revolving credit, and hence they support the uniform annual rate requirement so that they can discourage those who would use revolving credit, at a lower rate and at the quick turnover, in order to give the consumer a better deal on the interest that he will pay.

There is a further complication in the bank plans. In addition to the revenue, they have two ways that they can get more. If they use the check credit type of revolving plan, they levy a flat charge of 25 cents per check written. This assures them of the basic cost of handling even before the service charge comes up.

In the case of the bank credit card, they discount the retailer accepting the card on a certain transaction. In other words, on a retail sale of \$100, the bank will make a discount of about \$2.50 to \$3. Before the bank begins to levy service charges they already have the \$2.50 to \$3 on the discount. Because of this high cost to the average bank to handle money, they do not make much profit even with this discount.

I am not saying that they are not justified in trying to get these charges. What I am trying to explain to you is why they have taken the position they have, on the legislation. Naturally the banks want the retailers to disclose on an annual basis. Such a requirement to highlight the bargaining advantage the banks gain due to the fact that they have some charges that are not covered under the simple annual interest rate formula proposed by Mrs. SULLIVAN.

We have already seen some of this happening in bank credit check plans, where they add 25 cents per check and then advertise only 1 percent per month—not 1½ percent, as they already have part of their percentage on the discount. They can then lower the rate advertised.

What I am trying to tell you, gentlemen and ladies, is that if you think you are solving the problem of the consumer by going to a simple annual interest rate disclosure, you are simply fooling yourselves. And what is sadder, you are fooling the consumer, too.

MONTHLY RATE ACROSS THE BOARD

This would have the effect of making a 1½ percent charge and a true monthly rate of 1½ percent appear equal. Thus, it would be to the advantage of those applying the charge, in the most expensive way to the consumer.

Even so, it is a better system than annual rate across the board, for the simple reason that any differences in effective rates will be magnified 12 times on the annual basis. For this reason, it is harder to make a case against monthly rate across the board than annual rate across the board.

Monthly disclosure across the board has the support of most high-cost lenders, as well as a number of others who support the committee position, but feel they cannot make a dramatic case against monthly disclosure and do not want to appear obstructive.

The concept of a monthly rate is a reaction to the argument for annual rate comparability. It provides comparability while still avoiding disclosure of high annual figures. This approach was sponsored in a sincere effort to find an equitable solution.

THE COMMITTEE POSITION

The revolving sellers who contend that their practice of billing against the adjusted monthly balance does not produce an annual rate approaching 18 percent per year support the committee bill.

Many others who use a system similar to Sears, who qualify for the exemption granted by the committee and who are willing to defend their rationale for using the beginning balance system, support the committee.

Most small independent retailers with revolving credit support the committee bill because they feel they don't have the advertising resources to explain away the nominal rate should annual disclosure across-the-board pass. They operate in communities where customer goodwill is important to them, and fear that if they start saying 18 percent their customers will become convinced they are actually getting an 18-percent yield.

I offer this detailed and pungent description of the situation to make it abundantly clear that this bill is vital, and I mean that literally, to the parties concerned, and to evidence that no one of these groups is moved by altruism on this gut issue. All are forwarding their own narrow interests. For this reason I propose that we turn our backs on this self-serving chorus in seeking a bill which offers a well founded and balanced approach to the issue.

DECIDING THE ISSUE

Clearly, the Congress will not decide this issue based upon the number of telegrams received from each respective interest group or the poundage of impassioned pleas encompassed in letters reporting to tell the whole truth about truth in lending. The Congress more specifically, the House, today and tomorrow will decide the fate of the much needed and long-overdue truth-in-lending bill. Let us look back on almost a decade of deliberations to see what lessons can be learned from the past disappointments and failure to secure the much needed truth-in-lending package. It shall be my purpose during this debate to push for an approach, the committee approach, which I believe is basically sound, both from the standpoint of the consumer and the creditor. I will forward this approach knowing that no one, neither debtors nor creditors, will be fully satisfied with the committee version. I think this fact commends the bill to you. We have not as a committee catered slavishly to the interests of any group. We have, instead, sought to fashion a compromise on the fundamental issue of revolving credit which has so long divided this Congress and blocked noble efforts to secure enactment of this legislation.

It is not my contention that we are today writing a bill which can be etched in stone to be preserved for all time. That we are capable of foreseeing at this time any of the problems which are as yet unknown. Consumer credit is a burgeoning

field which will require constant attention.

COMMISSION ON CONSUMER FINANCE

Mrs. SULLIVAN made a very important statement when she said that the part of her bill that sets up the Consumer Advisory Council may be, in its far-reaching aspects, the most important part of her bill. I think this commission ought to start its study by investigating the question of revolving credit.

What are the actual experiences of the marketplace? Not the beliefs that are held in the minds of some of our idealistic theorists. It is not what their theory is that is important; it is what is happening that is important.

What I am afraid is that we are going to vote on this simply out of our prejudices, following this banner or that banner, and never having addressed ourselves to the core of the problem that the consumer must face in a very complex marketplace.

Very few people understand this particular problem. I am sure it will take us some time and a lot more study before we understand it sufficiently to warrant putting a statute on the books dealing with it.

It is important that we do not put a legislative gloss over the issue of revolving credit. We must not cover over the issue making it impossible to get at it again for many years to come. Let us face this thing as it has now been faced by the committee, realizing that we do not have perfection. But when did we? We need much more study and much careful deliberation before we decide. It is my firm conviction that we would be serving no good end by rejecting the committee position on revolving credit.

IGNORED: THE BASIC ISSUE

The deplorable result of the almost total preoccupation with this single issue of revolving credit has been the obfuscation of a more basic inquiry into the question of yields and competitive positions of the parties involved. Much of the posturing and sloganeering which has been going on may be attributable to desire to obscure this level of inquiry. We should be seeking to give the consumer information on the quality of the marketplace in which he operates. We should answer the question: Can the cost of credit be justified to the consumer? Instead, we have allowed the debate to take a turn which plays into the hands of those most nefarious groups who have the most to gain from obscuring the issue and who, judging from their performance on the State level, have the most creative ability in finding ways of complying with only the letter and not the intent of the statutes.

I would hope that this more fundamental inquiry would not long be neglected.

Mr. PATMAN. Mr. Chairman, I yield 1 additional minute to the gentleman in order that he may answer a question from the gentleman from Missouri.

Mrs. SULLIVAN. Mr. Chairman, is the amendment of the gentleman from California [Mr. HANNA] commonly known in the trade as the Penney amendment because it was offered to the Senate originally by Penney's to tailor this requirement to their own credit system?

Mr. HANNA. Mr. Chairman, the gentlewoman from Missouri [Mrs. SULLIVAN] may be correct. I do not know what my amendment is called in the trade, but I would remind the gentlewoman that when she came to me and asked me to go along with this bill, I told her at that time I did not think I could support her bill, because I did not agree with it. I had not talked to anybody except my own conscience at that time, and that same conscience has been my sole base of reflection since that time.

I do not care what people call it. I am just telling the truth as I see it. If I am wrong and it would not be the first time, I will have only myself to blame. But that I am sincere and honest in my intentions I hope the gentlewoman will believe.

Mrs. SULLIVAN. Mr. Chairman, I am not saying the gentleman got it from Penneys', but it was the Penney amendment to this bill.

Mr. HANNA. Mr. Chairman, I understand Penney's is supporting this bill because the Penney rate falls below 18 percent. I have told the gentlewoman that, and that is the truth as far as Penney's is concerned. But this is no more the Penney amendment, than is her position the Spiegel position.

Mrs. SULLIVAN. Mr. Chairman, is there any reason why Penney's cannot tell their customers the distinct and unique advantages of its credit system?

Mr. HANNA. Mr. Chairman, there is no reason why Penney cannot tell the advantages they are giving their customers, but the danger is that the gentlewoman from Missouri [Mrs. SULLIVAN] will by virtue of her blanket approach on revolving credit be providing a cover for a lot of people who will not have to explain what their situation is.

That is exactly what I am trying to tell the House. That is the issue in this debate. Should those whose effective rate on revolving credit is less than 18 percent be required to say their rate is 18 percent while their competitors also disclosing 18 percent might, in fact, be getting a yield of 45 percent. I hope the gentlewoman can see that.

Mrs. SULLIVAN. Mr. Chairman, if the gentleman will yield, every giver of credit must explain how his credit charges are made, and he has the privilege of saying where they charge, at the beginning of the month or the end of the month, and so forth.

Mr. HANNA. Mr. Chairman, the bill of the gentlewoman [Mrs. SULLIVAN] does not require and, under the information we have now, probably could not require the effective interest rate and what charges really are in dollars. Until we have that, we cannot have truth in lending.

Mr. WIDNALL. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. HALPERN].

Mr. GURNEY. Mr. Chairman, will the gentleman yield?

Mr. HALPERN. I yield to the gentleman from Florida.

(Mr. GURNEY asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. GURNEY. Mr. Chairman, I would like to add my support to a much-needed amendment to the truth-in-lending bill.

The Sullivan amendment would remove the exemption of revolving credit facilities from the bill's general requirement of annual disclosure of credit rates. The amendment is needed to remedy the inequality of treatment given to the various institutions providing credit benefits. The consumer deserves nothing short of full disclosure of what he is being charged for credit.

Groups in my own State of Florida have expressed overwhelming support for the amendment. An excellent example of such support comes from the American Association of Retired Persons and the National Retired Teachers Association who have even been concerned about protecting their members in the purchasing power of their retired dollars. They have been in the forefront of the battle for truth-in-lending legislation. I would like to read to you their telegram:

The Legislative Council of the National Retired Teachers Association and the American Association of Retired Persons, representing over 1¼ million concerned Americans, urges you to support Congresswoman Sullivan's fight to include revolving credit and all transactions, regardless of the amount of the finance charge, in truth-in-lending bill (H.R. 11601) on an annual percentage rate basis.

Also expressing support for that amendment are many, many individual citizens, many consumer groups, and great numbers of Florida banks.

It is vital that the American consumer know in what degree he pays for the credit which he receives. He should be given full opportunity to compare the terms of facilities offering that credit. He is unable to do this if the credit information is not required on the same percentage basis for all institutions.

I request passage of this crucial amendment.

Mr. HALPERN. Mr. Chairman, I rise today with mixed feelings. I am enthusiastically pleased that this issue has finally come before the House. But I sincerely regret that H.R. 11601 is coming before us, with two undesirable weakening amendments which I, and other of our colleagues are discussing during this debate.

We have waited a long time for this legislation and many of us have worked for years to shape an effective bill aimed at the core of credit abuses. I know I for one have been identified with this issue since Senator Douglas' original bill, which I introduced in this House 8 years ago. The distinguished chairwoman, the gentlewoman from Missouri [Mrs. SULLIVAN], and others on the committee, who labored hard and long to develop meaningful consumer legislation deserve the highest praise and I wish to personally extend my heartiest commendation to this able and fine lady for her determined efforts to win the broadest, most effective bill possible.

I am privileged to have been identified as a coauthor of the original draft of H.R. 11601 and to have added an amendment which the committee adopted and which I believe makes an important phase of this legislation more equitable and workable. I will discuss that later. I only regret that certain other amendments did not tend to improve the bill, but

rather drastically weakened it. To be specific, I strongly oppose the committee amendments to exempt revolving credit accounts and the so-called small transactions from requirements to disclose credit charges in terms of an annual rate. These two amendments, in my opinion take the guts out of this bill. I fervently hope they will be rejected by the Committee of the Whole.

Mr. Chairman, consumer credit has been increasing rapidly in recent years; consumer credit outstanding rose from \$56 billion in 1960 to \$95 billion in 1966. Imagine that, Mr. Chairman, \$95 billion. This credit is essential to the growth of our modern economy; it finances a large part of consumer purchases of durable items as well as nondurable goods and services.

Yet, although the availability of credit has provided a valuable convenience to the consumer, it has also subjected him to great confusion with respect to the cost of this credit, the relative value of alternative sources of credit, and the comparative benefits of credit relative to cash purchases.

The purpose of this legislation is to require creditors to disclose the entire cost of the credit they offer in terms which are understandable to the average consumer; the original bill put before the committee was designed to require disclosure by all credit sources in a uniform fashion, so that the consumer might easily make comparisons between alternatives, and make his purchases on the basis of rational decisions, not haphazard and confused guesses, as to relative costs.

Yet, the ability of the consumer to make these rational choices will be severely diminished if the exemptions of revolving credit and \$10 credit charge transactions from annual rate disclosure are allowed to stand. When faced with a decision on whether to make a purchase on a revolving credit account or to obtain a bank loan and then make a cash purchase, the consumer will be deprived of the one essential piece of information he needs to make a comparison: the percentage rate of his credit cost. With the bank loan charge stated in terms of an annual rate, and the revolving credit charge in monthly terms, how can the consumer choose the best alternative?

Similarly, how can we justify supplying the consumer with the annual rate charged on transactions with credit charges of more than \$10, and withholding this information on all transactions with lower credit charges. We must bear in mind, Mr. Chairman, that an item with a credit charge of \$10 is one with a total price of around \$100. We are thus eliminating all purchases of \$100 or less from the requirement to disclose an annual rate of credit cost. Such items comprise the major portion of a low-income consumer's budget. How then are we helping this segment of the buying public make rational choices or comparisons in his purchase plans? These are the people who most need the protection of consumer credit legislation. They are the last ones to be excluded as the amendment would do.

Throughout our hearings, Mr. Chairman, some have maintained the impossibility of presenting an annual rate on

revolving credit accounts, and have piled mystery on top of complexity to thoroughly confuse the issue. I maintain, and shall further explain when we discuss these amendments, that a revolving credit charge account is no more complex than a bank savings account, and if an annual rate can be presented for the letter, it can as easily for the former. I similarly submit that the logic behind the so-called small transactions exemption is no more valid, and that, to preserve the integrity of this consumer protection legislation, both of these amendments should be rejected.

H.R. 11601, as originally written also contained a complete prohibition against the use of wage garnishment for debt collection purposes. Various highly reputable witnesses presented testimony during hearings on the bill which dramatically demonstrated the great personal hardship wrought by excessive use of garnishment as a collection instrument. Evidence was also cited which indicated incontestably the causal connection between the employment of wage garnishment and the alarming rise in the level of personal bankruptcies.

Yet a total prohibition of garnishment might justifiably be regarded as a denial to the creditor of his right to collect legitimate claims against a debtor. Thus, I have proposed an amendment which will not prohibit, but will limit the use of garnishment; this amendment should both mitigate the often calamitous effects of garnishment on the debtor and yet not interfere with the legitimate rights of the creditor.

The amendment would restrict garnishment to 10 percent of a debtor's income above \$30 per week; exempt from this restriction would be claims for Federal or State taxes, or for family support. The amendment also prohibits an employer from firing an employee on the occasion of one garnishment of his wages; this provision would go far toward relieving one of the greatest burdens of garnishment, the vicious spiral of economic hardship followed by unemployment, crowned by the inability to find other employment due to a poor credit record.

Mr. Chairman, I would like to conclude by reiterating my unwavering support for strong consumer protection legislation. I believe that the disclosure provisions contained in H.R. 11601 would perform a valuable function for the consumer and for the economy as a whole, by enabling the consumer to make rational choices among credit charges presented in a truthful and uniform fashion. I maintain that we will be doing the consumer and the economy a disservice by exempting specific types of credit from these uniform disclosure provisions. And, I submit that the evidence demonstrates that a Federal law regulating the use of wage garnishment is urgently needed, and should be enacted at this time.

Mr. Chairman, I wish to reiterate my strong support of the principle behind this legislation and trust that this Committee, in its wisdom, will remedy the weaknesses currently in the bill; namely, the revolving credit and small transactions exemptions. I believe that this must be done in order to protect those most in

need of the aid intended by this consumer credit legislation.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. HALPERN. I gladly yield to the gentlewoman from Missouri.

Mrs. SULLIVAN. Mr. Chairman, I just want to take this opportunity to congratulate the gentleman from New York [Mr. HALPERN], for the great work and great help he has given us during this entire time of the consideration of this bill. As I said at the beginning, we hope that this will be a nonpartisan effort, and he has helped to make it nonpartisan. He has done a great deal of good all through this country. I want to thank him for it.

Mr. HALPERN. I thank the gentlewoman for those kind remarks.

Mr. PATMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Ohio [Mr. FEIGHAN].

(Mr. FEIGHAN asked and was given permission to revise and extend his remarks.)

Mr. FEIGHAN. Mr. Chairman, we have before us today for consideration one of the most significant legislative proposals of the 90th Congress. Truth in lending will directly effect a large portion of our economy as well as millions of our citizens.

The need for strong Federal consumer credit legislation is crucial, particularly to protect the unsuspecting consumer who does not look behind the price tag and promise of easy credit terms.

H.R. 11601, as reported out of committee, will be a significant first step toward alleviating the credit abuses. It will diminish appreciably the discrepancy in bargaining power between the seller and the buyer.

However, in its present form, the bill contains two undesirable exemptions. The first of these is a "revolving credit" exemption written into the bill in committee. This exemption would allow the large department stores, mail-order houses, and others who use "revolving credit" to express credit charges on a monthly rate rather than the annual rate disclosure required for other mercantile establishments. Such an exemption is unfortunate since the purpose of truth in lending is to require all credit charges to be computed and disclosed using the same system to enable the consumer to compare credit charges of different sellers. With the exemption, the consumer will not be afforded the full protection since "revolving credit" will be computed on a yearly basis.

The second exemption makes it unnecessary to disclose on a percentage rate basis—monthly or annual—any transaction, other than the open-end transaction, in which the credit service charge does not exceed \$10. This would enable the neighborhood lending agencies to charge \$10 a week or less on a loan by constantly refinancing the obligation.

The yearly interest rate on such a loan could be as great as 520 percent. This exemption will militate against the poor consumer who frequently borrows from the neighborhood lending agency because of his lack of credit standing. If this legislation is designed to protect the consumer from abusive practices of the

creditor, the \$10 exemption must certainly be eliminated. Small loans with exceedingly high interest rates are one of the more prevalent abuses. This predatory practice must be stopped.

The absolute necessity for strong Federal legislation in the consumer credit area has become increasingly obvious upon a review of the current efforts of the National Conference of Commissioners on Uniform State Laws. They are in the process of drafting a comprehensive uniform consumer credit code that hopefully will be adopted by all 50 States. They anticipate having a finished product before State legislatures by the beginning of the 1969 terms.

I welcome their efforts; however, so far, although quite elaborate, their proposed code lacks the strong remedies necessary to truly benefit the consumer. In fact, only in their last working draft, that is, this sixth draft, has the beginning of an effort to strengthen the code been made. This strengthening obviously resulted solely from a fear, on the part of the drafters, of Federal preemption, since the new sections, for the most part, are merely identical remedies to those contained in pending Federal legislation.

The commissioners have a tremendous opportunity to protect the consumer by providing the basis for uniform State legislation. I certainly hope they will continue their fine work in this area and strengthen their code so that it will not be necessary for the Federal Government to penetrate further into the consumer credit field in its vital role of safeguarding the rights of our citizens.

With the phenomenal growth of the use of credit in our society, it is imperative that the consumer be protected as fully and as soon as possible. Therefore, I strongly urge that the revolving credit and \$10 exemption loopholes be closed and favorable action taken on H.R. 11601.

Mr. PATMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from New York [Mr. WOLFF].

(Mr. WOLFF asked and was given permission to revise and extend his remarks.)

Mr. WOLFF. Mr. Chairman the consumer credit protection bill, H.R. 11601, is an excellent bill as far as it goes, but it does not go far enough.

As it stands, H.R. 11601 excludes disclosure of annual interest rates under revolving credit and service charges \$10 and under.

These omissions make the bill a half-way measure that will be even more meaningless in years to come.

Seven years ago, revolving credit accounted for only 2 percent of all outstanding consumer credit. Today, it accounts for 5 percent of credit sales—about \$5 billion. By 1970, it is estimated that revolving credit will account for nearly half of all consumer credit sales, or about \$50 billion at today's rates.

I don't think we want to pass a bill that will scarcely be worth the paper it is written on a few years from now.

I also wish to go on record in support of full annual interest disclosure on carrying charges or service charges of \$10 or under. Exclusion of this provision is unrealistic as well as impractical. First,

it deprives the buyer of his right to know; second, it discriminates against those businesses which provide full disclosure, and third, it hits hardest at those who can least afford it, the poor.

I see no reason why we cannot pass a bill that gives fair and equitable treatment to everyone, and I urge defeat of any amendments that weaken it.

Mr. PATMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from New Jersey [Mr. HOWARD].

(Mr. HOWARD asked and was given permission to revise and extend his remarks).

Mr. HOWARD. Mr. Chairman, I urge that H.R. 11601 be strengthened to include full disclosure of annual interest rates on finance charges of \$10 or under and on revolving credit accounts. Without this inclusion we are encouraging discrimination.

We are giving preferential treatment to certain businesses by exempting them from interest disclosure required of their competitors.

We are keeping from the buyer the information he is entitled to when he makes any kind of a purchase, whether it is a \$25 tire for his car or a \$300 television set.

A man purchasing a \$25 tire with a carrying charge of \$5 for 60 days actually pays an annual interest rate of 120 percent.

A woman buying a \$75 baby carriage with a carrying charge of \$10 for 90 days actually pays an annual interest rate of better than 50 percent.

One of the four rights of the consumer is the right to know. He has a right to know how much annual interest he is paying on a purchase, regardless of the kind of transaction involved in that purchase.

Full disclosure of credit charges should mean full disclosure. It should not mean disclosure for one type of credit and veiled interest rates for another.

Mr. PATMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from New Jersey [Mr. DANIELS].

(Mr. DANIELS asked and was given permission to revise and extend his remarks.)

Mr. DANIELS. Mr. Chairman, one of the most vital pieces of consumer legislation in recent years—truth-in-lending—is before us today. We must take full advantage of this important opportunity to enact such needed legislation by voting for a strong truth-in-lending bill that leaves no doubt whatsoever to its adequacy of protecting the consumer from deceptive and unscrupulous lenders, or those that deal in duplicity.

Let me say at the outset that the case for truth-in-lending legislation is more compelling today than ever before. Consumer credit has become more and more an integral part of the American way of life. Since 1960 the total of such credit—excluding mortgage credit—has risen some 69 percent to an all-time high of about \$95 billion, or almost \$500 for every person in the United States.

The benefits of credit in our way of life are clear, for it permits a family to enjoy a standard of life beyond its cur-

rent savings and income. But its dangers are equally obvious; it can lead to financial ruin and poverty.

To be sure, the American credit-buying consumer knows the goods he is buying and their price. But the trouble is that the consumer is rarely aware of the dollar cost or the annual percentage rate paid for the use of credit. No one disputes that this lack of knowledge is a major contributor to the abuse and misuse of credit.

The reason for the lack of knowledge about the true costs of credit stems largely from the varying and confusing manner in which credit costs are stated. The array of practices defy comprehension of even the most intelligent citizen. For example, one finds such practices as add-ons, sales price versus cash price, discounts, term price differentials and differing service charges. And under these practices, arithmetical spookery abounds.

From all of this, then, there is little wonder why there has been a rising tide of consumer bankruptcies. Bankruptcies, in fact, have risen faster than consumer debt—80 percent since 1960. There were nearly 176,000 consumer bankruptcies in fiscal year 1966, and the estimate for this past fiscal year is 188,000.

In view of the increasingly widespread use and misuse of consumer credit, it has become increasingly clear that consumers must be given basic and comparable information on what credit costs them and in easily understandable terms.

The major question before us is whether we will ensure that the consumer has this basic and comparable information on all types of credit or just some. At the heart of this question, of course, is the controversial issue of whether to require department and retail stores to disclose the annual interest rates on their revolving credit plans, or permit them to state such rates on a monthly basis as is currently the practice.

Mr. Chairman, the resolution of this issue is very simple in my opinion. If we are to meet our rightful commitment to the adequate protection of the American consumer, we must and I repeat must, require all credit costs to be expressed on an annual basis. Anything less would flagrantly compromise the whole purpose of the bill before us, and amount to a sell-out by us of the consumer's interests.

The whole purpose of H.R. 11601 is to assure that the consumer has clearly understandable and readily comparable information on the various types of consumer credit proposals so he can then best decide which offer is the better "buy." Revolving credit is one type of consumer credit and, therefore, should be covered by H.R. 11601.

Let us examine for a minute what is involved in this revolving credit controversy. Exclusion of revolving credit from the Consumer Credit Protection Act would allow department stores and others using such credit to continue to state their credit costs at a monthly rate of some 1½ percent, instead of 18 percent on an annual percentage rate basis that everyone else would have to use. To allow this exception would be, to my way of thinking, nothing short of discriminating

against certain kinds of lenders in favor of others.

Furthermore, I repeat that the object of this legislation is to afford an opportunity to the consumer to be able to compare the costs of one credit offer with another, using comparable terminology. To allow some lenders to express their borrowing costs one way, and others another, would be completely unfair and cannot be sanctioned if we want to properly protect the consumer.

As the able chairman of Consumer Affairs Subcommittee, the gentlewoman from Missouri, LEONOR K. SULLIVAN, has said:

Testimony before our Subcommittee . . . showed that most consumers believe a monthly rate of 1½ percent on credit charges is very low. In shopping for credit, they almost always choose such a rate in preference to one of 18 percent a year. Of course, they are the same rate, but the customer does not realize it.

Mr. Chairman, it is for these reasons that I urge my colleagues to give close and careful consideration to this important piece of consumer legislation, and strongly urge them to cast their vote for an adequate and equitable truth-in-lending bill—one that covers revolving credit.

Mr. PATMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Rhode Island [Mr. TIERNAN].

(Mr. TIERNAN asked and was given permission to revise and extend his remarks.)

Mr. TIERNAN. Mr. Chairman, the consumers assembly which met here in Washington last fall has demanded full disclosure on all service charges of \$10 or less on any single transaction, and I support this demand.

Exemption of this disclosure from the consumer credit protection bill, H.R. 11601 amounts to exempting the poor from information they should have when buying on time. Because it is the poor who usually make small purchases on the installment plan. It is the poor who cannot afford to pay cash for a \$25 or \$50 item. And it is the poor who usually wind up paying more in service charges.

With your permission, I would like to insert into the RECORD the statement made by the consumers assembly, 1967, which appears in a pamphlet:

POOR PAY MORE

As written, the Consumer Credit Protection Act exempts from annual interest rate disclosure all service charges of \$10 or less on any single transaction.

This exemption hits hardest at the poor who purchase \$25, \$50 or even \$100 worth of goods on credit.

The annual interest rate equivalent for a \$6 service charge on a \$36 purchase repayable over six months is about 55 percent. At the least, the purchaser has a right to know.

The \$10 exemption is an open invitation to the unscrupulous seller to break larger purchases into several transactions. It is an invitation to questionable practices.

There is no valid reason an annual rate cannot be disclosed on any consumer credit transaction.

The American consumer deserves an even break through full disclosure. The law should provide no less, and committee amendments which weaken the bill should be defeated.

(Mr. MOORHEAD (at the request of Mr. PATMAN) was granted permission to

extend his remarks at this point in the RECORD.)

Mr. MOORHEAD. Mr. Chairman, the consumer credit protection bill, H.R. 11601, should mean what it says—not protection here and there, but protection on all forms of credit. Today we have a chance to give the consumer a credit disclosure law without strings and without loopholes. If the consumer is to get the facts, let us see that he gets all the facts—not an annual interest rate from one lender, a monthly rate from another, and no rate for service charges \$10 or under.

If the bankers can live with it, if the loan companies can live with it, if the installment stores can live with it the retailers with revolving accounts and others with straight carrying charges will find a way to live with it. Why give one group a competitive advantage over the others by exempting it from the annual percentage rate provisions of the truth-in-lending bill? Let us tell the consumer what it really costs to borrow money or use credit, regardless of where he gets it.

Mr. WIDNALL. Mr. Chairman, I yield such time as he may consume to the gentleman from New Jersey [Mr. HUNT].

(Mr. HUNT asked and was given permission to revise and extend his remarks.)

Mr. HUNT. Mr. Chairman, any old truth-in-lending law is not enough for this country. This Nation has to have a truth-in-lending law that is fully adequate and effective.

And to be fully adequate and effective, truth in lending must cover revolving credit accounts—that type of credit where a customer may keep adding to his purchase while paying off the balance.

It is neither good, fair, nor proper to have truth in lending cover all major credit transactions, but exempt those under revolving credit as the current legislative proposal would have it.

I have several reasons for my view. First, revolving credit, while small in relation to other types of credit is growing rapidly. Second, exempting revolving credit from truth-in-lending coverage would further stimulate its growth for it would be substituted for other types of credit. Lastly, exempting revolving credit would be unfairly discriminatory, favoring revolving credit lenders over non-revolving credit lenders.

Mr. Chairman, for the life of me I do not understand why there is the belief that revolving credit is so special that it requires exemptive treatment from truth in lending. What is involved, to my way of thinking, seems fairly simple.

Interest charges on revolving credit generally are stated on a monthly basis of about 1½ percent a month. This works out to 18 percent a year. It is no wonder then why anyone selling on revolving credit such as retailers and department stores would be reluctant to have to state their interest rate on an annual term.

Mr. Chairman, the American consumer is entitled to know what his interest charges are on all types of credit transactions according to a simple standard method of stating credit. For this is the only way he can intelligently compare prices on what his money is costing him.

If the consumer is going to pay 18 percent interest a year let him at least have the full opportunity to know it. He may very well make the choice to do so figuring it is worth the shopping convenience.

The point, however, is this: The consumer ought to know approximately what credit is costing him in comparison with what it might cost him from other sources.

The simple truth is that if we are going to make the Consumer Protection Credit Act a fully effective law, we must include revolving credit transactions under its coverage.

I remind my colleagues that our job is to help and protect the American consumer. If we are going to do this job properly we must have strong and effective truth-in-lending legislation. This objective can only be achieved by voting for a bill today that covers revolving credit. I strongly urge you to do so.

Mr. WIDNALL. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. WILLIAMS].

(Mr. WILLIAMS of Pennsylvania asked and was given permission to revise and extend his remarks.)

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I regard H.R. 11601 as an excellent truth-in-lending bill and an excellent consumer protection bill.

Mr. Chairman, we must make absolutely certain that anything that is passed in this House of Representatives will provide for truth in lending and provide for the protection of the consumer.

Mr. Chairman, I am in favor of the disclosure, the full disclosure, of annual interest rates any time that an annual interest rate can be computed in advance of the transaction. However, we have to recognize that with reference to some types of credit transactions it is not possible to compute the annual interest rate in advance.

Mr. Chairman, we have heard today that some strange and wonderful things have been happening. In the last few days these strange and wonderful things have indeed been happening. However, I want you to know that the strange and wonderful things that have been happening represent, in my opinion, a concerted effort to get this House of Representatives and to get this Congress to approve an 18-percent annual interest rate for credit. This strange and wonderful thing that has been happening has not been motivated as the result of any concern for the consumer, however, just the opposite is true.

Mr. Chairman, I am very happy that some of these large, some of these gigantic, retailers have come out against the provisions as contained in this bill as they pertain to revolving charge accounts, which are simply open-end credit accounts. I say this because it points up the fact that these people regard this bill as protecting the consumer to too great an extent. This is why these people have come out against the provisions of this bill. This is why they want the Sullivan amendment, and why are these people against the provisions of H.R. 11601.

They are against it because they cannot come under the provisions for open-

end credit. They have got to come under the provisions for installment open-end credit.

Under installment open-end credit the merchant is forced to disclose the annual interest rate in advance.

Mr. Chairman, here are the provisions of H.R. 11601 which provides for this installment open-end credit plan, and remember, this is the type of plan under which disclosure of annual interest rates must be made and an installment open-end credit plan is one which has one or more of the following characteristics:

First. Creates a security interest in, or provides for a lien on, or retention of title, to any property—whether real or personal, tangible or intangible.

And, this is important—

Second. Provides for a repayment schedule pursuant to which less than 60 per centum of the unpaid balance at any time outstanding under the plan is required to be paid within 12 months, future payments in the order of their respective due dates.

Mr. Chairman, these people do not want 60 percent of the amount paid within 1 year. They want to stretch it out over a period of 2 or 3 years. This is what they are afraid of as under this provision they will not be able to have plans for periods of 24 months or 36 months so that they could collect additional interest.

Mr. Chairman, we have heard some discussion here today as to why it might be difficult to figure the annual interest rate on a revolving charge account.

I say to you that it is impossible to figure in advance the annual interest rate on such an account.

Mr. Chairman, I want to read to the Members of the Committee two paragraphs from a revolving charge account contract of a moderate-sized department store, not one of the national giants:

First. I may choose to use this account as a 30-day charge account by paying the total indebtedness within 30 days of the receipt of a bill without credit service charge for that month, or I may choose to pay the annual balance of my account monthly upon receipt of a bill according to the terms of this agreement, that is, one-third of my balance but not less than \$20 or whichever amount is greater—if the balance appearing on the statement is less than \$20, the full amount is due and payable—and to pay a credit service charge at the rate of 1½ percent on monthly balances of \$500 or less, and 1 percent of any amount in excess thereof, on scheduled fixed amounts within \$5 of the exact balance.

Obviously, Mr. Chairman, that cannot add up to 18 percent a year.

Now, I say this to you. There is no sixth-grade mathematics student in this country who can compute in advance the annual interest rate under those conditions. I want to say to you further that the world's greatest mathematicians could not compute in advance the annual interest rate on this type of transaction.

We have heard a lot about Penney's, and something in the bill was referred to as a Penney amendment. Many stores apply a 1½-percent interest charge on

the balance of the previous month if the balance is not paid off in full. So if you have a balance at the beginning of June of \$100, and it is not paid off in full, when you get your July bill you have a \$1.50 interest rate applied. You are paying \$1.50. On the other hand, J. C. Penney applies 1.5 percent interest to the balance at the end of the month, so that if \$50 is paid off during the month of June, when you receive from J. C. Penney your invoice at the first of July, you have a 75-cent interest charge.

Now, under this bill, the way it was originally written, Penney's or anybody else that applied a 1.5-percent interest rate to any part of a balance would have been required to say 18-percent annual interest. So that even though Penney's was not getting anything like that, they would have been forced to say 18 percent.

That is one of the points Mr. HANNA was making, that under this bill people who do not give the consumer the benefits that they should be entitled to would be placed under the same umbrella as the stores that charge a higher interest rate.

Now, during the hearings before the Committee on Banking and Currency this morning on another bill I was handed a copy of a telegram from a Cyrus T. Anderson to Congresswoman SULLIVAN. Mr. Anderson is the Washington representative for Spiegel's, Inc., which is a subsidiary of Beneficial Finance Corp., and Spiegel's is one of the largest houses in the country.

In this telegram Mr. Anderson went on record as opposing H.R. 11601 as presently written concerning the definition of open-end credit, and states that it would discriminate against Spiegel's, and he is quite right, and I will cover that point a little while later.

I know many Members of the House are confused about who is on which side. I have received letters and telegrams from small loan companies who have historically opposed any sort of truth-in-lending legislation at all and they oppose H.R. 11601. Many of these small loan companies charge excessively high interest. I have received letters and telegrams from automobile dealers, and they too have historically been in opposition to any type of truth-in-lending legislation.

I have received some communications from banks saying that this legislation is discriminatory, but this legislation does not discriminate against 95 percent of the banks in the country. It discriminates only against those banks that have bank credit cards, and its discriminates against them because their repayment schedule is drawn out over too long a period, and under this bill they would be forced to disclose the actual annual interest rate that they are charging.

And then, of course, I am quite certain that if Senator Douglas was still on the scene he would be absolutely amazed that Spiegel's is now supporting in some way some amendment to this bill because Spiegel's has worked strenuously, ever since truth-in-lending has been proposed before this Congress, against any kind of truth-in-lending legislation.

Now, with final action inevitable, Spiegel is saying "treat us all alike"—"treat us all alike." They want everybody pulled in under the umbrella of their high interest rates.

I hold right here in my hand a direct mailing piece that is sent out to get people to make small loans. This is the opening sentence:

Please accept this special invitation for a loan from Fairfax Family Fund—

I thought that "Family" was a very good touch.

As I say, it reads:

Please accept this special invitation for a loan from Fairfax Family Fund Incorporated, a subsidiary of Spiegel, Incorporated.

It goes on to say:

You can have \$600 in a small loan.

It says:

You can get ready cash by mail when you need it for any purpose. You do not have to go to an office. We will send it to you by mail.

The CHAIRMAN. The time of the gentleman has expired.

Mr. LLOYD. Mr. Chairman, I yield 3 additional minutes to the gentleman.

Mr. WILLIAMS of Pennsylvania. Right here on the repayment schedule for this loan from Fairfax Family Fund, Inc., the repayment schedule shows very clearly a 30 percent annual interest rate.

So it is very little wonder that Spiegel's wants everybody to be treated alike at this time.

Those who support the committee language are primarily people like J. C. Penney who are giving the consumers a break right now plus many very small retailers.

I have explained to you the difference between the adjusted balance system that is used by Penney's in placing interest on the balance at the end of the month and the system used by Spiegel's and many other stores where the 1.5 percent a month interest may indeed add up to 18 percent annual interest and such information would have to be disclosed under section 203(d)(5) in this bill. This is why Spiegel's and others are now opposing the provisions of this bill.

I would like to close with just this statement. Here is the whole story in a nutshell.

The question before us this afternoon and the question that will be before us tomorrow is, Is the House going to respond to the tune that is being played by some huge department stores and to the tune being played by some small lending companies and others who will have their credit operation protected and shielded by a national interest rate of 18 percent annually?

I urge you to support the provisions of the bill, H.R. 11601, which will prevent this.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Pennsylvania. I yield to the gentleman.

Mrs. SULLIVAN. I would just like to comment on one thing that the gentleman said. I think you said that 95 percent of the bankers are not affected by revolving credit.

Mr. WILLIAMS of Pennsylvania. I said that the banks that would be dis-

criminated against by this legislation are the 5 percent of the banks in this country that are using bank credit cards.

Mrs. SULLIVAN. I think the gentleman is completely wrong on that, if I may say so in my judgment, because all of the banks that make any loans to anybody are going to be affected by having to show an annual and disclosed rate.

Mr. WILLIAMS of Pennsylvania. That is exactly right. But let me say this to you, that the fact of the matter is that most of the transactions in which the banks engage in this type of credit would come under the installment open end credit plan and they would be forced to disclose the annual interest rate anyhow.

Mrs. SULLIVAN. May I say, yes, that is true in this type of credit. But what they are talking about, as to discrimination, is all of these other loans that they make to finance cars and to finance mortgages and they would be discriminated against if they had to show an annual rate and the department stores do not.

Mr. WILLIAMS of Pennsylvania. Under this bill, anyone financing automobiles or home mortgages or anything of that nature would be forced to disclose the annual interest rate. That is in the bill as it now stands.

Mr. LLOYD. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. WYLLIE].

Mr. WYLLIE. Mr. Chairman, today you have heard arguments for annual disclosure of interest rates for everyone, and they sounded persuasive. Just now you have heard arguments as to why revolving credit sellers should be exempted from the annual disclosure provisions, and they are most persuasive. I can well understand if the Members are confused about which might or might not be the best method.

I will be frank and tell you that I sat and listened during 2 weeks of hearings on this bill and I was confused.

I felt in the first instance that there should be a uniform disclosure across the board. Then I heard the revolving credit people come in and point out that they cannot in truth disclose on an annual basis across the board, that they have a peculiar system. The thought occurred to me, Why has not someone offered an amendment so that everyone could disclose on a uniform monthly basis?

The revolving credit people say they cannot disclose on an annual basis, and everyone is for uniformity. So why do we not have everyone disclose on a monthly rate basis?

I took this idea back to the people in my district who are concerned with truth in lending. The furniture dealers are in favor of an annual rate disclosure. The banks are in favor of an annual rate disclosure. I would differ with my colleague, the gentleman from Pennsylvania [Mr. WILLIAMS], who just talked about banks. I think they are required to disclose across the board on an annual-rate basis, and it is not just 95 percent. I agree with the gentleman from Missouri [Mrs. SULLIVAN] on that question.

I also took it up with the small loan people. I took it up with the retailers.

In my district they all agreed that this is a proper approach because it provides for uniformity, and it also would allow the consumers to see what the true credit picture is. So, as far as I am concerned the people who support me in my district are supporting this amendment, and I cannot understand why it has not been offered before as a compromise.

The avowed purpose of this bill is to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of terms and conditions of finance charges in credit transactions or in offers to extend credit. This is a laudable aim and purpose, with which I dare say no one in this House will disagree. Certainly I do not disagree with this purpose, and I feel strongly that the consumer needs protection in the area of credit financing. The rapidly increasing number of personal bankruptcies and unintentional defaults on payments indicate to me that credit consumers are unable to determine precisely how much in debt they really are. We have gone overboard, in my judgment, in making easy credit available and encouraging people to buy when they cannot afford it. And yet consumer credit is essential to the U.S. economy.

Last year consumer credit, according to testimony by the Under Secretary of the Treasury, the Honorable Joseph W. Barr, totaled \$95 billion, and this was exclusive of mortgage credit.

The real purpose of this legislation should be to provide some form of credit disclosure for all credit transactions which will be uniform in application with a common denominator so that anyone by a simple statement of credit terms could understand it. The consumer must be informed to the extent that he can make a selection from all credit sources available as to the cheapest or best for his own personal needs.

During the course of the hearings it became evident to me that an array of lending practices, intentionally or unintentionally, are beyond the comprehension of most consumers and only serve to confuse. In testimony relating to credit practices, such terms as "add-ons," "discounts," "precompute," "service charges," "finance charges," "interest," "price differentials," "unpaid balance," "first-in and first-out," and others were used which would confuse even the most sophisticated in finance.

Yet, as I said, consumer credit is essential to our economy and is here to stay. I think the system is weakened by the jumbled mass of words connected with it which become gibberish to the average consumer.

So it is both practical and essential that there be uniformity in credit disclosure. With that I agree. House bill 11601 as originally introduced by the gentlewoman from Missouri [Mrs. SULLIVAN] sought to do this. It is to her credit that it was sought. She has been very able and conscientious and has worked hard on this bill. I commend her.

As originally introduced, H.R. 11601 would require disclosure of all credit costs on an annual-rate basis. This would satisfy for closed-end or contract credit, commonly referred to as install-

ment credit. Closed-end or installment credit may be said to be characterized by a schedule of payments provided for in the contract.

But there has sprung up in our economy the so-called open-end credit. It evolved because it is not practical to "loan money" so to speak, to consumers for a specified period of time so they could purchase soft goods or goods with a so-called short "life expectancy." Mostly it is used by large department stores such as Federated, Sears, Montgomery Ward, Spiegel's, and Penny's. Yet each of them may use a different form of revolving credit, as we have been told. However, as the gentleman from California [Mr. HANNA] put it, an exception for revolving credit "takes into account the realities of the marketplace." Revolving credit is here to stay. To require revolving credit sellers to disclose on an annual rate basis would require them to do something they cannot do. They cannot be certain that a customer will or will not pay his bill within a month and their charges are quoted on a monthly basis—always with a free period.

The true annual rate, then, will depend upon the timing of purchases and payments. The only true and meaningful method of disclosing the rate on revolving credit accounts in advance is in terms of a percentage per month. Recognizing this difference in types of credit, the bill reported by the committee adopts a dual form of disclosure which would require the majority of lenders and retail sellers to disclose credit costs in terms of annual percentage rates, whereas other creditors would be permitted to disclose finance charges in terms of what might otherwise appear to be a lower monthly percentage rate.

It is section 202(h) which creates the double standard for rate disclosure. This provision establishes two important standards for exempting creditors from the annual percentage rate requirement in revolving credit transactions. They have been mentioned before. In effect, the bill says that creditors who offer revolving credit plans which, first, do not provide for the creation of a security interest in property; or second, provide for customer repayment schedules in which at least 60 percent of the unpaid balance in the account is required to be paid out within 12 months are exempted from the annual percentage rate requirement and may instead make disclosure on the basis of monthly percentage rates. It has been argued that all extenders of revolving credit could convert to revolving credit today. The small businessman, I submit, cannot convert to revolving credit because the overhead would be too great. I am concerned about the small businessman who does not offer revolving credit to his customers, but who, instead, does business on the basis of traditional equal monthly payment installment credit. Under either one of the proposals here today he is required to make a disclosure on an annual percentage rate basis. It seems clear that he is at a serious competitive disadvantage with the creditor who, because he has a higher volume of business and more sophisti-

cated accounting practices, may offer revolving credit at what appears to be lower monthly percentage rates. There is little doubt that the average consumer will construe a monthly percentage rate of finance charge as being lower and more attractive than an annual percentage rate of finance charge.

It seems abundantly clear to me, then, that the primary thrust of a Federal credit disclosure law should be to establish a uniform standard of credit disclosure which will provide consumers with a single, unvarying test for comparing credit costs which will be uniformly and equitably applied to all creditors and all types of consumer credit. The purpose of this measure is to promote the informed use of consumer credit. How can this be achieved by the enactment of a Federal law which establishes a double standard of disclosure? Clearly, consumers are going to be confused by monthly percentage rate quotations in some cases and annual percentage rate quotations in other cases. The historic thrust of this legislation has been to avoid just exactly this result.

There is logic for recommending the calculation and disclosure of credit charges on a monthly basis, even beyond the discriminatory aspect which I have mentioned. Banks and retail sellers historically have calculated and disclosed revolving credit finance charges on a monthly basis.

Credit unions historically have employed the monthly charge for rate calculation and disclosure. The consumer is billed for and makes payments for purchases and services on a monthly basis. The average American budgets his personal economy on a monthly basis. What is more logical than to require the disclosure of all consumer credit charges in a Federal statute to be on a uniform monthly basis?

It is for these reasons that an amendment to H.R. 11601 should be adopted to delete the double disclosure standard and to substitute in lieu thereof a uniform disclosure requirement which will apply equitably and fairly to all creditors and which will provide consumers with a single unvarying test for measuring and comparing such costs.

I will offer such an amendment at the proper time, and I urge its support.

Mr. BLACKBURN. Mr. Chairman, will the gentleman yield?

Mr. WYLIE. I yield to the gentleman from Georgia.

Mr. BLACKBURN. I wish to commend the gentleman from Ohio for the fine work he has done in his efforts on behalf of this Nation. I wish to associate myself with his remarks.

Mr. WYLIE. I thank the gentleman.

(Mr. HELSTOSKI (at the request of Mr. PATMAN) was granted permission to extend his remarks at this point in the RECORD.)

Mr. HELSTOSKI. Mr. Chairman, the moment of truth is at hand.

We are at the point today of deciding whether we will strike a strong or weak blow for the interests of the American consumer. It all depends upon whether we vote for a truth-in-lending bill that either covers revolving credit or does not.

I feel strongly that a strong blow for the interests of the American consumer can only come if we vote to include revolving credit under H.R. 11601, and thus give the consumer the clearest picture and understanding possible of all credit costs.

To my way of thinking it is as simple as that.

How can we justify passage of H.R. 11601—when it does not apply equally and fairly to all credit transactions? It is shocking that H.R. 11601, which is such a practical necessity, creates a double standard by singling out and exempting revolving credit from the disclosure of an annual rate of interest that is required for other credit transactions.

A very large amount of consumer credit purchasing is carried on through the medium of the revolving credit account, and this area is, perhaps, less free from deception in the selling of credit than most other forms of lending.

A majority of revolving accounts carry a true interest rate of about 12 to 18 percent per year. Buyers, however, are led to believe that they pay about 18 percent interest. What buyers do not know and what lenders do not tell them is that the consumers pay 18 times the number of months the credit account is opened.

Merchants contend that it is difficult to compute and state an annual interest rate for revolving credit because of variable balances and time periods. This task may be difficult but it can be done.

We should keep in mind that the very purpose of the revolving credit account method is to keep the consumers account considerably active—to keep him buying on credit. If merchants find this method of operations so profitable, as it obviously is, they can afford the trouble of disclosing the true interest charges.

Exemption of revolving credit favors the big retailing firm—who does a large amount of business in this way—over the small one. This is unjust and unwarranted. We must rectify the inequitable omission of revolving credit.

The time has come now for us to adequately and completely defend the beleaguered American consumer who buys on credit. For far too long the consumer, in many instances, has been at the mercy of unscrupulous persons who by design have kept hidden the actual cost of items by not fully revealing their true cost when purchased on credit.

The interests of the American consumer can no longer be neglected. His interests need the protection only actual legislation can provide.

Unfortunately consumers are generally unaware of the actual financing charges which they are paying. Financing charges are almost invariably quoted on an add-on basis and are further disguised by additional loan charges, such as investigation fees. Conversion of the information now given to the consumer in a percentage rate is beyond the ability of even the more intelligent consumer.

Although it is true that the great majority of lenders in this country are honest and forthright, we are all aware of abuses, and all of us have received complaints from constituents who have felt cheated and deceived in a credit

transaction. It has always been the policy in our great Nation to attempt to protect all people, and so long as deceptive practices are used, although in a small element of the economy, legislation must be enacted to curb the abuses.

Even where deceptive practices are not used, however, it is quite frequent for a lender or seller utilizing the installment sale procedure to eliminate or not use at all any rate of finance charge or interest. This is the easiest way to obscure the cost of credit. Very few individuals can translate the number of payments into an interest rate, and the concept of truth-in-lending will place the burden on the seller or the lender to disclose to the buyer or borrower the approximate rate at the time the transaction is entered into.

The consumer must be made fully aware of the amount of finance charges he is paying, for full information is necessary not only for his protection but for the efficient functioning of any market. Disclosure of financing charges, which truth-in-lending legislation will accomplish, would make the market more competitive with respect to the cost of credit.

The concept of truth-in-lending is a good one. It is not an attempt to regulate rates, but rather an attempt to create truly a free enterprise system by eliminating deceptive and misleading practices, and practices which do not fully advise or inform the consumer. Through competition, as we all well know, our Nation has become great, and the citizens of our Nation have been able to share in its greatness.

Mr. Chairman, I urge all of my colleagues to vote for a strong Consumer Credit Protection Act—one that covers revolving credit.

Mr. PATMAN. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. BINGHAM].

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. BINGHAM. I am glad to yield to the gentlewoman from Missouri.

Mrs. SULLIVAN. I should like to say at this time, Mr. Chairman, that without the help of the gentleman from New York during the hearings and all through the discussion of this bill we would have had a hard time to get through and to get through with a good bill. He has been most helpful, and I am very happy we had him on our committee during its consideration of truth in lending.

Mr. BINGHAM. I thank the gentlewoman for those remarks. I was about to say it had been a real pleasure and a privilege to work under her leadership on this measure. The consumers of America are fortunate to have such a spokesman as Congresswoman SULLIVAN. She has fought steadily throughout, from the beginning of consideration of this measure, for the greatest possible protection of the consumer.

I should like to say also it has been a pleasure to work under the guidance of the distinguished chairman of this committee on this measure.

I am pleased to rise in support of H.R. 11601 today and look forward with real anticipation to its passage.

The American consumer is finally finding his political voice and learning to exercise his political muscle effectively. It is a most welcome development, indeed, which is bringing about enactment of measures—such as the truth-in-packaging bill, the National Product Safety Commission, the Meat Inspection Act—which have long been needed to give the consumer both the product safety and the product information to which he is entitled.

It has long been recognized that the average buyer suffers greatly from a lack of information and understanding in the field of consumer credit financing. As our economy prospered, and disposable personal income reached new heights, the use of consumer credit rather than cash for financing the purchase of desired articles became a well-accepted practice for most families. The outstanding total amount of consumer credit soared from \$5.6 billion in 1945 to \$95.8 billion in 1967. The annual interest and service charges on this debt currently cost American families more than \$13 billion a year.

But as rapidly as the amount of consumer credit expanded, so did the opportunities for deception, misleading interest rates, hidden charges, and all manner of gimmicks and come-ons designed to prevent the buyer from figuring out how much he would be paying for the financing of his purchases. Costs were stated in such a confusing manner, and for such disparate items, that it became impossible for even the well-educated consumer to compare credit costs between a discount house and a department store. For the unsophisticated, the timid, the poor who never ventured out of their own neighborhoods, it was a field day for any fast-talking salesman who spoke in terms of only \$12 down and \$3 a week.

The abuses and calculated confusions of those who extend consumer credit have been well documented ever since Senator Douglas conducted his first eye-opening hearings 7 years ago. The 2 weeks of official Banking and Currency Committee hearings this year, plus the testimony Congressman HALPERN and I heard in New York City, provide even more convincing proof of the need for adequate legislation to protect the many unwary consumers who enter into long-term credit contracts they never really understand. The President tersely summed up the situation in his consumer message to the Congress, when he stated:

As a matter of fair play to the consumer the cost of credit should be disclosed fully, simply, and clearly.

On July 11, 1967, the Senate, thanks to the vigorous and persevering leadership of Senator PROXMIRE, passed a truth-in-lending bill which is not too dissimilar from that which we are considering today. Before getting into the substance of what is before us today, I would merely like to say that I think that too much hyperbole has been wasted on the Senate bill. I find the cries of "sell-out" and "worse than no bill at all" uttered by some of the critics of S. 5 to be foolish and far wide of the mark. While I think

S. 5 needs real strengthening in certain areas, and I will try to get such provisions included in the House bill, it is basically a sound, effective piece of legislation implementing the basic public policy that the consumer has a right to full disclosure of the nature and extent of his credit charges on any purchase.

However, in several respects I think the bill we have reported out of the House Banking and Currency Committee is much stronger and I would like to touch on these before I mention my disagreements with the committee.

One of the most significant differences between S. 5 and H.R. 11601 is the latter's extension of the truth-in-lending principle to credit advertising. The basic requirement is for full disclosure of all essentials of the credit transaction, such as downpayment, finance charge, full cash price, and schedule of repayments. Even the briefest glance at any of our Sunday papers would show the frequency with which credit terms are included in advertisements along with other selling points of particular merchandise. Since so many potential customers are induced to make their purchases by persuasive advertising, it is axiomatic that those ads need to spell out the financing details of the transaction if the consumer is to be fully informed and capable of comparing one item with another. The impact of advertising is so overwhelming on consumer choices in this day and age that it is essential that the same high standards of full disclosure be applied in this area as are applied to the final commercial transaction between buyer and seller.

A second major difference between the committee and Senate bills is in the area of garnishment. The Senate bill was silent on the subject. Our bill restricts garnishment to 10 percent of wage-earnings above \$30 a week, and prohibits discharge of an employee because of a single garnishment on his wages.

Mr. Chairman, I heard considerable testimony on this point from witnesses here in Washington as well as from witnesses in New York City. I was deeply impressed by the evidence of personal hardship and distress suffered by many low-income wage earners, enticed into buying goods they could not afford by unscrupulous merchants who knew they always had recourse to attaching a man's salary and cared little whether anything remained to support that man's wife and children. Moreover, we heard extremely useful testimony from several referees in bankruptcy which pointed up the correlation between harsh garnishment laws and high levels of personal bankruptcies.

The provision we have included in the House version adopts, I am proud to say, the humane approach taken by New York State to the problem. A man can no longer be fired just because a creditor—often without the knowledge of the employee—has attached his wages. Instead, he can continue working and supporting his family, while paying off his debts in an orderly fashion, rather than being forced into unemployment and bankruptcy. Many representatives of labor, business, and public service organizations have supported restrictions on garnish-

ment, and I cannot urge approval of these provisions too strongly as humane, compassionate, and economically sound.

Despite my overall satisfaction with the bill reported out by the House Banking and Currency Committee, there are two sections to which I must state my strong opposition.

Our guiding principle in fashioning a truth-in-lending bill has been to assure to the consumer sufficient, clearly understandable, information which would enable him to compare different consumer credit proposals with one another in order to make an intelligent judgment on which was most suitable for his economic situation and needs. Yet, H.R. 11601 includes an exemption which, I am convinced, would completely undermine this principle. The "revolving credit" exemption would allow its users—large department stores, mail order houses, some credit card system—to disclose their finance charge on a monthly percentage rate basis instead of the yearly percentage rate basis required for all other forms of consumer credit. What we are doing by inclusion of such an exemption is denying the most important credit information which the consumer needs to discriminate in the vast majority of his day-to-day credit transactions.

Furthermore, revolving credit has been growing at an extraordinarily fast rate. With this kind of statutory favoritism, it is clear that the trend toward this type of credit will be even further accelerated.

Moreover, this exemption needlessly discriminates against all other givers of credit who must state their credit rates on an annual percentage basis. Those falling under the general disclosure provisions of the bill would be laboring under a grave competitive disadvantage.

Later on in the debate, I am sure we will enter into a very detailed discussion of this provision but sufficient to say for now that the intricacies of the revolving credit mechanism in no way require such an exemption. What is most important is that the interests of the consumer in obtaining full—not half—truths about the credit he is paying for affirmatively require deletion of this exemption.

I am also strongly opposed to the elimination from the bill of those credit transactions in which the finance charge amounts to less than \$10. Many of the credit needs of the very people who most need the protection of this bill will escape from the protection of the bill by this exclusion.

It is in these relatively small transactions that some of the greatest abuses appear in terms of excessively high interest rates; therefore, it is in precisely these areas that purchasers or borrowers should be informed as to the true interest rate that will be paid.

The other day in my home city of New York, I noticed an advertisement in the subway for small loans, in which the monthly payment required was specified but the annual interest rate was not. For example, the advertisement stated that a customer who borrowed \$100 for 6 months would only have to pay back \$108 in six monthly installments. This finance charge of \$8, which would be excluded from the requirement that an interest rate be disclosed, actually amounts to an annual interest rate of 32 percent.

The possibilities for abuse and evasion of this provision are tremendous. The exclusion makes no sense in either logic or economics and I urge its rejection.

Mr. Chairman, I should like to comment on some of the issues that have been raised and some of the discussion thus far in the debate, which, frankly, has taken a turn which seems a little bit Alice in Wonderland to me. We have seen speakers take the well today, including my good friend from California [Mr. HANNA] to give the impression to the Committee that the proposals submitted by the gentlewoman from Missouri [Mrs. SULLIVAN] for strengthening the committee bill, are a devious plot being proposed by large mail-order houses and department stores.

I would consider it useful at this point to recall that the strong position here—that is, the position of requiring annual interest rates uniformly—is supported first of all by the consumer groups of this country. I do not know whether the gentleman from California [Mr. HANNA] is telling the consumer groups they do not know what they are talking about, but that is the way it sounds.

This position is also vigorously supported by the AFL-CIO and the major unions.

It has been supported for some time now by the furniture dealers and others who would suffer from the discrimination contained in the committee bill, such as the banks. And now, finally, the major department stores are realizing that their interests would not be well served by the kind of discriminatory provisions contained in the committee bill.

Why is that so? There is no sinister secret about that. They would find it difficult in their billing to make different provisions for the types of open end credit plans which would fall within the definition requiring an annual interest rate and those which would not. So it would be complicated and difficult for them to comply with the provisions of the committee bill. They say, "Rather than struggle with that, OK, let us have an annual interest rate for everything."

We have heard a lot said this afternoon about the fact that one cannot figure the interest rate on open-end transactions.

I will admit that you cannot figure just what the earned interest rate is going to be. It has been said here that it never goes above 18 percent and it is always below that. That is not so, ladies and gentlemen of the Committee. As the testimony brought out, sometimes it can go way above 18 percent. In one of the examples pointed out by Mr. HANNA, he said it would run 45 percent on a certain type of transaction. This is where a payment is made on the account during the month and the particular store does not give credit for that payment in figuring the interest rate. So we have to take it for granted that the earned interest rate can be above or below 18 percent a year.

But look. Every single thing that has been said in criticism of the 18 percent a year can be said about 1½ percent a month. Every single statement that has been made here criticizing the 18 percent a year can equally apply to the 1½ percent a month. If you cannot figure the interest rate, then how can you say it is

1½ percent a month? Yet they are willing to say 1½ percent a month, but they do not want to say 18 percent a year. Why not? One reason and one reason only. For the consumer, 1½ percent a month sounds cheap. He thinks he has a bargain creditwise. And 18 percent a year sounds like a lot. That is the only reason why they do not want to say 18 percent a year.

What are we asking them to do in the Sullivan amendment here? We are just asking them to say, when they say that the finance charge is 1½ percent a month, to set it out as 18 percent a year. That is all. It is not asking very much. It does not complicate anything. It merely calls to the attention of the consumer that he will really be paying at the rate of 18 percent a year.

Now, something has been said here about the Penney Co. I am not sure because I have not talked to the Penney Co., but I think they have a system of billing which is different from some of the others. They do give credit for payments made during a month, but they still say 1½ percent a month. Why do they object to saying 18 percent a year?

In any event, the Penney people can explain the nature of the way they handle it. Mr. Chairman, there is an amendment in the committee bill on page 14 which I have had the honor to sponsor which requires those who do not give credit for payments made during the month in figuring the finance charge to say so and to disclose that fact. Penney's is protected by that provision.

We have heard the proposal suggested by the gentleman from Ohio [Mr. WYLLIE]. It is logical, all right, and it sounds plausible, but who in the end would be taken care of? The business people would be taken care of. They would be happy with uniformity, putting it on a per-month interest rate basis, but who is going to be hurt? The consumer is going to be hurt, because every witness who testified on this subject said without any difference of opinion that the consumers think 1½ percent a month is cheap and they think 18 percent a year is expensive.

What then is the ultimate proposal that comes forward? "Let us have it uniform on a per-monthly basis." Ladies and gentlemen of the Committee and Mr. Chairman, we cannot at this stage of the game change the whole way in which we refer to these things. We learned in school about interest rates. They are annual interest rates. We have payments given in the figures on an annual, not a monthly basis. We cannot change the whole way of looking at it in this country and try to get everyone to think in terms of a per-month interest rate.

To me it would be worse than having no bill at all, no credit protections, if lenders do not indicate interest rates on an annual basis. This is what the country understands. This is what the consumer understands. This is where he gets the true picture of it. It would be a tragedy if we moved toward uniformity by moving to a monthly interest rate.

The strange thing about it, Mr. Chairman, is that Mr. WYLLIE's proposal does not even deal with the difficulties that arise in stating a precise interest rate.

Mr. Chairman, as I said before, if you can say that a rate is 18 percent a year, you can also say that is 1.5 percent a month.

Mr. Chairman, the gentleman from Ohio tries to get over all of the difficulties by saying that by quoting a monthly interest rate no one gets in any difficulty despite the fact that it is not exactly 1.5 percent a month. In other words, it can be more or less, depending upon what payments are made and so forth.

Mr. Chairman, I think this would be a total sham; it would be a reduction of the bill to the point of being truly an absurdity.

Mr. HOLIFIELD. Mr. Chairman, will the gentleman yield?

Mr. BINGHAM. I yield to the gentleman from California.

Mr. HOLIFIELD. In the event of a revolving account where the charge is made on the last day of a month, on an amortized balance, and let us assume they are charging 1.5 percent a month, and let us further assume that there is a charge of \$90, and there is paid at the end of the first 30 days a \$15 payment thereon. That leaves a balance of \$75. And, at the end of another 30 days there is a payment of \$15. Each time the consumer pays 1.5 percent interest on the remaining balance as of the last day of the month?

Mr. BINGHAM. No; excuse me. That is not so. In most of the plans the balance—the 1.5 percent is charged on the balance at the beginning of the month and does not provide for giving credit for payments made during the month. Penney's does. That is the distinction between Penney's and some of these other companies. But many of them do not give credit for payments made during the month. They charge the 1.5 percent on the balance at the beginning of the month.

Mr. HOLIFIELD. Whether it is the 1st of the month or the 31st of the previous month? In other words, there has to be a time element involved. And the periods of time involved have to be 30 days apart?

Mr. BINGHAM. Yes; 1 month.

Mr. HOLIFIELD. So, you are begging the question when you say it is based upon 31 days or a month.

Mr. BINGHAM. There may be a whole lot of difference.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. PATMAN. Mr. Chairman, I yield the gentleman 3 additional minutes.

Mr. HOLIFIELD. Mr. Chairman, I was hopeful that the gentleman from New York would be able to obtain some additional time because I do wish to explore this subject further.

Permit me to give the gentleman an analogy along this line: If you buy a \$90 item and if you pay 1.5 percent a month on it, and if every 30 days there is a \$15 payment due, and you pay that off at the end of 6 months, that is your revolving credit. Then, say, there are no additions to that account for the purposes of this discussion, how much interest has the man paid at the end of 6 months?

Mr. BINGHAM. He has paid 1.5 percent a month on the outstanding bal-

ance each month at the rate of 18 percent a year.

Mr. HOLIFIELD. That is true.

Mr. BINGHAM. But he has not paid 18 percent on \$90.

Mr. HOLIFIELD. That is true. But when you advertise the fact that you are charging 18 percent annually and he applies that to the \$90, would he pay up to 18 percent on the \$90 charge?

Mr. BINGHAM. It seems to me that the gentleman from California is forgetting the fact that a rate is a rate. It is just like arguing that 88 feet per second is not the same as 60 miles an hour. It does not matter whether the rate is 60 miles an hour or whether you are traveling at the rate of 88 feet per second. They are the same.

Mr. HOLIFIELD. Mr. Chairman, if the gentleman will yield further, the yield to the seller at the rate of 1.5 percent is not a yield of 18 percent a year to the seller?

Mr. BINGHAM. That is right.

Mr. HOLIFIELD. It is a yield on a 6-month basis of 7.42 percent, if you double that by 12 months, you have a rate that the receiver gets of 9.45 percent, not 18 percent?

Mr. BINGHAM. Depending upon the way the gentleman has set up his example and question the interest rate would be as the gentleman says. However, you could set up another interest rate, as the gentleman from California [Mr. HANNA] says, of 45 percent.

Mr. HOLIFIELD. Mr. Chairman, if the gentleman will yield further, let us take the example of a small merchant without a computer and say that a man comes in on the 15th of the month and makes a payment of \$15 and, say, that he is 15 days ahead of time or, say, he is 15 days late, how in the name of God can the small merchant tell this man or customer in advance the annual rate?

Mr. BINGHAM. All he has to tell him is what the rate per month is, times 12. In other words, he gives him the same answer on an annual basis as he gives him on a monthly basis.

Mr. HOLIFIELD. I am not against full disclosure. But I am trying to figure out how the small merchant can comply to the formula, a small merchant who does not have a lot of bookkeepers and computers.

Mr. BINGHAM. There is no problem involved.

Mr. HOLIFIELD. You are telling me that if he sells that item and he charges 1.5 percent on the unpaid balance, all he has to do is to say "We are charging 1.5 percent a month on the unpaid balance," which when carried out to the end of the year would be 18 percent?

The CHAIRMAN. The time of the gentleman has expired.

Mr. BINGHAM. Mr. Chairman, would the gentleman yield me additional time?

Mr. PATMAN. Mr. Chairman, I have an agreement with the other side, but I will yield 1 additional minute to the gentleman.

The CHAIRMAN. The gentleman from New York is recognized for 1 additional minute.

Mr. BINGHAM. Mr. Chairman, I have asked for the additional time because it

was my time, and I would like to answer the question the gentleman posed.

If the gentleman will look at the language in the middle of page 13 of the bill, he will see that what is being discussed here is the difference between what is called the percentage rate per period, which is what the committee bill says, and what we want to say is the annual percentage rate. And your small retailer who is now in a position to say 1½ percent a month can say 18 percent a year just as easily, and he does not have to make any calculations; all he has to do is add to what he now has, which is the percentage rate per period, or month.

Mr. HOLIFIELD. And he does not have to change it if the payment comes in advance, or if it is overdue?

Mr. BINGHAM. No; he does not.

Mr. HOLIFIELD. I thank the gentleman.

Mr. BINGHAM. Mr. Chairman, passage of the truth-in-lending bill is long overdue. We owe the American consumer enactment of the strongest and most comprehensive bill possible. By closing these two important loopholes, on revolving credit and \$10 finance charges, we will be enforcing the American consumer's right to know exactly how much he is paying and thus exercise an informed judgment as to what he can afford to buy and where he can obtain the most favorable credit treatment.

President Johnson cogently stated the case for this bill when he said:

The Truth-in-Lending Act of 1967 would strengthen the efficiency of our credit markets, without restraining them. It would allow the cost of credit to be freely determined by informed borrowers and responsible lenders. It would permit the volume of consumer credit to be fully responsive to the growing needs, ability to pay, and aspirations of the American consumer.

I heartily concur and urge the House to approve this important piece of legislation.

Today's editorial in the New York Times reads as follows:

[From the New York Times, Jan. 30, 1968]

TRUTH IN LENDING

As the House of Representatives takes up the long-stalemate truth-in-lending bill, need for a strong, comprehensive law is heightened by the steady growth in the volume of consumer credit. Buyers and borrowers must have the protection of a law requiring full disclosure of the true cost of obtaining credit. These safeguards are particularly necessary for the least educated and the poorest, who can ill afford mistakes in managing their money.

The bill as it comes to the House floor would be improved if the members strike out two amendments adopted in the Banking Committee. The first would exempt retail stores and mail-order houses from telling their customers the interest rate on an annual basis for so-called revolving charge accounts. An interest charge of 1.5 per cent a month on the unpaid balance sounds rather low. Yet, on an annual basis, this is 18 per cent.

Equally objectionable is an exemption in the bill providing that credit terms do not have to be detailed if the interest charge is less than \$10 per transaction. As a practical matter, such a provision would exempt most loans and purchases of less than \$100. This is exactly the size of transaction in which persons with the smallest incomes need protection.

On the plus side, an amendment successfully offered in committee by Representative Halpern, Republican of New York, strengthens the bill by restricting the garnishment of wages. The first \$30 of a worker's wages would be exempt from attachment by a private creditor, and no attachment could exceed 10 per cent of his remaining wages. No one would be harmed by such a modest restraint except those dubious merchants who prey upon the poor by selling shoddy merchandise on "easy" credit.

Mr. LLOYD. Mr. Chairman, I yield myself the remaining time.

The CHAIRMAN. The gentleman from Utah is recognized for 4 minutes.

Mr. LLOYD. Mr. Chairman, in the brief time remaining I believe there are a few things about the bill that have not been brought to the attention of the House as yet that I would like to touch on. One is the matter of garnishment.

This bill contains a provision on garnishment that was not in the bill of the other body, and it provides that garnishment is limited to 10 percent of that amount over \$30 a week. We are under the apprehension that that is the New York bill. It is not the New York bill. As I am advised, the New York bill provides that there would be garnishment of 10 percent of the entire wages, and not just that over \$30. So on \$100 a month under the New York bill the garnishment would be on the \$100, or \$10. Under the bill as it is written here, it would only be on \$70 or \$7. That is a very important distinction. It is one that I believe should be brought out tomorrow.

Also the discussion this afternoon has pretty well confined itself to the matter of annualizing the rate. I believe we should be reminded in conclusion here today of what has been said previously, that the other body for 7 years has broken their pick upon that issue. I believe it was on a vote of 93 to 0 that they decided that could not be done, after 7 years. They decided, like the framers of our Constitution, that maybe none of the language was exactly what they wanted, but it was the best bill on credit disclosure that could be framed, and passed.

That does not mean that there are some other provisions of the bill that cannot be changed, but it means that upon that one point that the other body has decided that with the exemption in the open-end revolving credit, as defined, that that is the type of legislation which is acceptable to the Congress of the United States.

And I would also like to make this point in support of the proposal advanced by my colleague from Ohio [Mr. WYLIE]. A Member of the other body from Illinois made this statement, when the other body passed this legislation in pointing out the lack of comparability, and the discrimination that might exist. But first of all, in case I do not have time, I would like to say that I do favor the committee bill. I feel that it is possible it could be improved by the Wylie approach. But this matter that I shall quote that was made by a Member of the other body, is as follows:

Revolving credit, commonly used by department stores; and installment credit, typically used for the so-called "big ticket" purchases. Under the committee bill, sellers

who use revolving credit are required to state their finance charge as a monthly percentage rate, while sellers who use installment credit are required to state their finance charge as an annual percentage rate.

The discrimination in the bill that is most apparent, however, is not that between revolving credit and installment credit. The most apparent discrimination is the discrimination within revolving credit.

The seller using a revolving plan without title retention will be permitted to disclose a monthly percentage rate, while in an identical transaction under the same repayment terms, the seller using a revolving plan with title retention will have to disclose an annual percentage rate.

In other words, under the example of the committee bill, a retailer on one side of the street could set his interest on a monthly basis, while across the street the furniture or the specialty store selling the same item would have to annualize it. Continuing to quote:

I call attention to it here in the hope that some solution will ultimately be worked out, as the bill proceeds through the legislative process.

I submit to the House that the proposal advanced by the gentleman from Ohio [Mr. WYLIE] may be this approach under this bill. It seems to me it recognizes not only the mechanical equities but the equities in principle in approaching this necessary legislation for the benefit of all concerned.

Mr. DONOHUE. Mr. Chairman, the spirit and the language in this Consumer Credit Protection Act now before us, H.R. 11601, represent a real step forward in this urgent legislative area of truth in lending but a great many of us here are seriously concerned that it does not go far enough in providing the fullest, reasonable protection to the American consumer who needs this protection the most.

It is, unfortunately, all too obvious that in today's modern mass consumer markets commercial selling and lending practices and appeals have grown increasingly confounding and financially burdensome to the ordinary customer and consumer.

Particularly in the area of consumer credit it is commonly felt that very few people, outside of the experts, really understand the true interest charges projected.

While the objective of this bill is certainly to extend reasonable consumer protection to every individual and family I consider it to be our very high legislative obligation to insure that this protection is designed to especially include the very low-income persons and families who need it the most and are the least able to avoid the appeals of some very unscrupulous merchants and lenders that tempt them into financial suffocation.

Therefore in order to achieve the full legislative objectives intended, many of us believe that this bill must be strengthened in several provisions but most particularly in two major areas.

It must be strengthened by removing the existing exemption of ordinary revolving credit systems for the disclosure of annual interest rates that would perpetuate the 1½-percent-a-month illusion with no requirement that it be translated into the actual rate of

18 percent a year. There is no real ground of justification for this exemption and it cannot be permitted to stand if the purposes of this bill are to be attained.

It must also be strengthened by removal of the equally objectionable existing exemption from disclosure of all transactions involving finance charges of \$10 or less. This provision would exempt practically all credit purchases of \$100 or less and, therefore, nearly all the ordinary credit purchases of our lowest-income individuals and families. I submit that there is no equitable justification for this exemption and it cannot be permitted to remain if the purposes of this bill are to be completely realized.

Mr. Chairman, other suggestions and recommendations for the strengthening and improvement of this well-intentioned measure have and will be made, and I hope the House will fully debate and prudently act on each one of them.

Surely the time has come, in our burdened society, to require the revelation of truth, in interest rates and financial charges, and their related activities, so that every American will have the information and advice made available that will enable him to protect himself and his family from unwitting financial imprudence and bankruptcy.

Our legislative challenge is to provide the greatest consumer protection to those who need it the most and to prevent the visitation of any discrimination upon and all segments of the industries engaged in these commercial fields. It is of paramount importance that our legislative restrictions and requirements be of absolutely equal impact upon every business unit and activity that is involved.

We have the duty to fully protect the consumer without inequitably or unduly harassing the affected industries.

By adoption of a strengthened consumer credit protection bill, we can meet these two high duties and obligations, and I urge the House to do so without undue delay.

Mr. FASCELL. Mr. Chairman, I rise in support of meaningful consumer credit protection. It is time that uniform regulations for the full disclosure of credit charges be established and the consumer assured of a simple, concise explanation of the actual cost of his numerous credit transactions. The American consumer today is buying more and more on credit, and it is only just that he have the benefit of a clear understanding of just what those transactions mean to the cost of the product he is purchasing.

The sale of credit on incomplete, inaccurate, and receptive terms is of the very greatest importance to the economic system. The noncomparable and misleading terms prevent the consumer from making a rational selection among methods of financing his household. The consumer cannot choose rationally between a merchant's revolving credit plan; a credit union loan; a bank loan; or saving to pay cash, when he has no common denominator of the price of credit. When consumers use a hundred billion dollars or more of credit in a year without selecting the best and the least expensive

source of finance, they injure their ability to buy. They provide fat returns for the inefficient and the dishonest, and often discriminate against the more efficient retailers and lenders. In short, money that could have been used for productive purposes is siphoned off.

What we propose to do about this problem in the bill before the House, is essential. We propose to require creditors to use uniform and non-deceptive language in advertising credit terms and in writing up consumer credit contracts. This is as revolutionary as saying that the standard metrical measure of length shall be a meter of 100 centimeters, rather than 50 or 60 or some other number of centimeters according to the practice of the particular trade. It should not be necessary to remind the House that the most common way of quoting consumer credit rates is in terms of dollars or percent on the original balance of a the credit actually available to the debtor rate is little more than half the rate on the credit actually available to the debtor during the period over which he makes his installment payments. Requiring rates on credit to be stated as annual rates on the average unpaid balance, is so fundamental to good commerce that it should never have encountered any opposition.

I ask the House to support the truth-in-lending measure which will enable the households of the Nation to use the Nation's credit resources economically and rationally.

Mr. EILBERG. Mr. Chairman, the Consumer Protection Act which is before us will enable consumers who use credit for their major purchases to protect themselves against needlessly expensive credit. The bill requires that they be informed of the cost of credit, and of the annual rate at which finance charges are computed before they have incurred the debt. It is no cure all. It does not give the consumer all possible information for protecting himself. It does not give protection similar to that of some State laws which protect the consumer by limiting rates charged on consumer credit; nor does it permit the consumer to deduct the entire finance charges on retail credit in computing his income tax as he now can deduct interest on a loan; this bill does not change the tax laws or regulations. These two kinds of protection are not included in this bill, and their merits perhaps ought to be put aside for consideration some other time, but not now.

The bill also fails to require creditors to supply consumers with the information which they need for protection against costly credit for minor purchases: it does not require the finance rate on revolving credit to be stated as an annual rate.

This omission is a victory for retail merchants, including the largest of all the chains, whose opposition has been a principal obstacle to the passage of any truth in credit bill. The retailer who puts his customer's account on revolving credit can say that he charges 1½ percent per month in which the chargeable balance is outstanding. But the bank which finances his car cannot stop at saying its rate is 1 percent per month,

or 1½ percent, or 2 percent, but must state the much more arresting figure of 12 percent, 18 percent or 24 percent per year.

The retailers have made elaborate arguments against disclosing the annual rate on revolving credit, and these arguments have been dissected in congressional hearings. The rather amazing sequence of propositions offered by the retailers does not need another exposition and review. The simple facts are that the charge is levied each month and billed to the consumer each month, and that there are 12 months in a year. A monthly rate of 1½ percent is an annual rate of 18 percent—just as a 6-percent annual rate on a mortgage is a monthly rate of one-half of 1 percent.

How many people do not understand what an 18-percent annual rate means. This is the fault of creditors who have talked in their own deceptive language so long that to many consumers an annual rate is a rate on the original balance. It is the very essence of consumer credit that the credit is repaid in installments, so that the original balance is a proper basis for charge only until the first payment has been made. When a credit is repaid over a year at an 18-percent annual rate on the amount of credit actually outstanding, it is a rate of less than 10 percent on the original balance.

The retail creditors' problem is that some of his customers may believe that revolving credit adds 18 percent to the cost of their purchases. The solution to this problem does not lie in letting revolving credit alone be stated in a special way which makes it appear far cheaper than other credits, even when the other credits actually may be the cheaper of the two. The proper solution is to require revolving credit rates to be quoted as annual rates as are other credits, and to permit retailers to offer explanatory information to the effect that charges at that rate when levied on balances which are repaid according to the retailers plan, will add 6, 10, 12 or some other percentage to the cost of the purchases, and the additional cost will depend on the rapidity with which balances are paid off.

The House bill provides the consumer with protection against misleading advertising of credit charges and rates. The misleading nature of credit advertising has been documented throughout the years over which truth in lending has been studied by the Congress. This is a form of protection which obviously is necessary.

The House bill also deals with the problem of unconscionable garnishment by retailers and lenders who sell shoddy merchandise, make exorbitant finance charges, and disregard all evidence of lack of credit worthiness in pushing credit. The bill's restrictions on garnishment used as a collection device by the unethical fringe of operators in consumer credit will save many employees from being lured into excessive debt, from dismissal by their employers because of garnishment of wages, and ultimately from bankruptcy. It will save employers some of the high cost of employee turnover because of personal financial troubles. It will direct credit resources to the

ethical creditors when the unethical cannot resort to the courts to collect the exorbitant charges which finance their expansion.

Mr. RODINO. Mr. Chairman, the House has courteously awaited, for 8 long years, an opportunity to approve a truth-in-credit bill. The Senate enacted a bill last summer. Now we can approve the principle of that bill, and make its operation more beneficial to the consumer and to the ethical retailer and lender.

The House bill, of which I am a sponsor, requires the use of standard disclosures of credit terms. If credit terms are advertised, the advertisements must be informative, complete and include the items specified in the House bill. If credit contract is made, it must include disclosure of a standard list of cost items and the price of the credit. Full disclosures must be made, and they must be made in standardized language so that the consumer can engage in comparison shopping—and comparison shopping for credit can become more informed and rational than most comparison shopping for merchandise.

Consumer credit usually adds a minimum of 6 to 10 percent to the cost of goods for the shortest term credit, and in the purchase of automobiles, and for other durable goods and often adds more than 24 percent to the cost. The total of these added costs is about as great as the cost of interest on the national debt, and would buy a year's supply of gasoline and oil, or pay all of the plane, train, bus and taxi fares of a year. The very magnitude of these costs makes it imperative that consumers carefully select their sources of finance, and economize at every opportunity. The information on credit costs and rates which consumers need for using their income will not be available to them unless this bill is enacted.

Some consumers, of course, already have the benefits of truth-in-credit legislation at the State level. But only four States have acted, and the disclosures which State legislation will require may not be up to the standard of our own consumer protection act. A Federal act will establish minimum standards of disclosure for all consumer credit transactions in all States.

The House should make clear in its action on this bill that it intends to give consumers the benefit of full disclosure in standard terms on credit contracts; that it intends to give consumers protection against inadequate disclosures in advertising of credit terms; and that it intends to require creditors to use care in extending credit, to depend on credit worthiness of the consumer rather than garnishment of wages, to insure repayment.

The Senate bill recognized that the inefficient and the unethical lender or retailer can acquire too large a share of the total of credit business if his charges are not disclosed in understandable terms, and consequently the bill gives consumers the information basic to their avoidance of such waste. The House bill goes further and recognizes that some consumers will not act wisely about credit, even when information is available to them. Consequently it tells the

creditor that, if he takes advantage of their low resistance to sales pressure, he will not be protected by resort to garnishment of wages. The bill depends on self-interest to correct misuses of credit resources which now are made by unethical creditors and careless debtors.

Mr. Chairman, I strongly urge approval of this most essential and long-delayed measure and the amendments covering revolving credit which will be offered by our distinguished colleague, Mrs. SULLIVAN. With these actions we will have the opportunity to write a fully protective measure for the consumer in this basic area.

Mr. GILBERT. Mr. Chairman, I have long been an enthusiastic supporter of the truth-in-lending principle and I shall be happy to vote in favor of the bill that is currently before us. I have observed the reluctance of many lenders to reveal the price of credit in terms both of rates and money costs. I have also observed how very difficult it is to compute rates of interest, unless one is a trained mathematician. This bill is overdue. It is a necessary and justifiable protection, fundamental to the equitable operation of our free enterprise system. In approving it, Congress will be enacting a basic reform of our economy.

I want also to give notice that I will vote in favor of two amendments to the legislation as it has been reported out by the committee. I oppose the exemption of revolving charge accounts and of interest charges of less than \$10. I see no reason for these exemptions. I believe this bill will be seriously flawed if these exemptions are not eliminated.

I note that these exemptions will tend to fall most heavily on the poor, who indeed we are most seeking to protect with this legislation. The rich can go to banks for their credit and usually obtain money without undue difficulty at a reasonable rate of interest. The poor exist from hand to mouth. They put their purchases on a revolving charge, unaware of how much they are paying for this privilege. Surely the large department stores and mail order houses using this system are honest enough to accept the responsibility of fair reporting of annual interest charges. By the same token, the \$10 exemption falls most heavily on those who buy in small quantities. Once again I speak of the poor. This provision permits the worst sort of loan-sharking to thrive, the kind of loan-sharking that preys on the poor, nibbling away at their small fortunes dollar by dollar. I will support amendments on the floor to eliminate both these exemptions.

Mr. Chairman, I am hopeful that this law will wipe out that brand of unscrupulous merchant who cajoles the poor into purchases beyond their means, tantalizing them with low monthly payments in which are concealed ruinous interest rates. I think the honest merchant with nothing to hide will gladly embrace this bill, while the user will skulk away. I congratulate the committee on this measure, in which I have great confidence.

Mr. BOLAND. Mr. Chairman, I want to express my support today for H.R. 11601, the truth-in-lending bill Congresswoman LEONOR K. SULLIVAN has championed in an effort to throw light upon the dark

and sprawling labyrinth that credit buying has grown into over the past few decades.

This bill, the fruit of 8 years' work by men and women seeking a better break for the consumer, would give people throughout the United States the right to know just how much credit costs both in terms of total cash amount and true annual interest.

The measure would make credit buying simple and straightforward for everyone from the housewife buying clothes for her family, to the businessman shopping for a new car, to the investor seeking a bank with the highest interest yield, to the highschool boy comparing prices on motorbikes.

The bill, even more significantly, would give needed protection to the poor and underprivileged who are all too often bilked into paying unconscionably high interest on the credit plans they accept in an attempt to provide a better life for themselves and their families.

I take pride in the fact that my home State, Massachusetts, has pioneered in the enactment of meaningful and successful truth-in-lending legislation. These laws have proved groundless any fears that consumer protection acts might hamper business or harass businessmen. The Massachusetts laws, in fact, have stimulated credit buying and have led to better understanding between business and consumer, providing ample evidence that such legislation works and works well.

Mr. Chairman, I will ask unanimous consent when the Committee goes back into the House to insert, at this point, a brief analysis of the truth-in-lending impact since its enactment by the Massachusetts Legislature.

FEDERAL RESERVE BANK OF BOSTON,
Boston, Mass., November 15, 1967.

Mr. DERMOT SHEA,
Executive Secretary, Consumers' Council,
State Office Building, Boston, Mass.

DEAR MR. SHEA: Following is a short analysis we made to try to determine whether "Truth in Lending" had had any impact since its inception in Massachusetts.

RETAIL SALES: PERCENT CHANGE, JANUARY-AUGUST 1966
TO JANUARY-AUGUST 1967

	Total	Nondurable
New England.....	+1.0	+3.0
Massachusetts.....	+3.0	+4.0
Personal income (same period):		
New England.....		+7.5
Massachusetts.....		+7.2

Thus, despite a somewhat smaller rise in personal income, Massachusetts had a better gain in retail sales, thus far in 1967 over 1966 than did New England as a whole.

CONSUMER CREDIT AT FINANCIAL INSTITUTIONS IN
NEW ENGLAND

Percentage gains	Commer- cial banks	Sales finance companies	Consumer loan companies	Savings banks (Massa- chusetts only)
December 1965 to September 1966.....	7	2	5	50
December 1966 to September 1967.....	5	-1	0	43

Consumer credit has grown slower at all financial institutions in 1967 than in 1966. Perhaps consumer loan (small loan) companies have suffered the most, while savings banks have done the best, but this comparative trend seems to have been in existence already in 1966 and earlier. Savings banks have advertised more aggressively and they were bound to get an increasing share of the market in any case. In addition, commercial banks have begun to advertise credit cards and check credit aggressively so that they were probably also due to get a bigger share.

Very truly yours,

PAUL S. ANDERSON.

H.R. 11601 is designed to protect buyer and seller alike. It calls for a standardized language in credit contracts and advertisements—a language that gives consumers a measuring stick by which they can compare credit plans, that gives businesses a forum by which they can compete openly and straightforwardly for the shopper's dollar. This language, clear and explicit, would do away with the muddle of words unscrupulous businessmen use in their contracts to mask charges from the consumer. It would do away with the small print and evasive verbiage some reasonable businessmen feel forced to use in order to compete successfully in the credit marketplace.

The bill would also put restrictions on the garnishment of wages—a provision that places on the creditor the burden of extending credit wisely and responsibly—and would create a national commission to study the burgeoning credit business throughout the Nation.

I would like to commend Mrs. SULLIVAN, the able and distinguished Congresswoman from Missouri, for her long and spirited fight to bring this bill to the floor of the House.

As the bill stands now, however, it leaves open two gaping loopholes that Mrs. SULLIVAN was unable to plug up when H.R. 11601 was before the Banking and Currency Subcommittee on Consumer Affairs. One loophole would exempt stores offering revolving charge accounts from disclosing the true annual rate of interest. The other would exempt from disclosure service charges of \$10 or less on any single credit transaction.

I urge my fellow Members of the House not only to pass this bill but to support Mrs. SULLIVAN in her attempt to extend its provisions to close the two loopholes I have just cited.

Mr. ANNUNZIO. Mr. Chairman, on January 10, 1968, Illinois State Senator Cecil Partee, Democrat, spoke before the annual meeting of the American Retail Association Executives at the Waldorf-Astoria Hotel in New York City.

Senator Partee has a distinguished background, having served 8 years as an assistant State's attorney in Cook County, Ill. He earned a B.S. degree—cum laude—in business administration at Tennessee State University in Nashville, Tenn., and then went on to earn a J.D. degree at Northwestern University Law School in Chicago, Ill.

He was first elected as State Representative in 1956, and served in that capacity until 1966, when he was elected as State Senator from the 26th District of Illinois. During his service in both the Illinois House of Representatives and

Illinois Senate, Mr. Partee has compiled an outstanding record and has served his constituents ably and with distinction.

Just recently Senator Partee sponsored and had passed in the Illinois State Legislature a bill, S.B. 977, Ill., to require the pupils in grades 8 through 12 to be taught and to be required to study courses in the area of consumer education.

As a member of the House Banking and Currency Committee, I have spent considerable time studying the critical issue of consumer protection, and I do feel that consumer education is of prime importance in reaching an effective solution of the problem we face today.

The House of Representative today begins consideration of H.R. 11601, the Consumer Credit Protection Act. Because I feel that Senator Partee's timely and original thinking on this issue will be helpful to my colleagues in the House in deliberating on this issue, I am enclosing the complete text of Senator Partee's remarks before the American Retail Association Executives at this point in the CONGRESSIONAL RECORD. His remarks follow:

Thank you very much for your kind introduction. It is my extreme pleasure to have been invited to talk with such an illustrious group. I am grateful for the opportunity of disseminating whatever little I know about Consumer Education to this group in the hope that we can make a Consumer Education a vital and required course of the curriculum in all of the high schools of the United States, and that adult courses should be an auxiliary must.

As you perhaps know by now, a Consumer Education Bill was passed in the last session of the Illinois State Legislature. I am grateful to all persons who helped and aided in its becoming law, but I am especially grateful, and I pause to say so now, to Mr. Joseph Meek, and the Illinois Retail Merchants Association.

Many people have asked the need and the necessity for the Bill, others have made discreet inquiry as to my personal interest in this subject. I hope you will pardon the personal reference, but I think that my personal background has something to do with my interest in this subject. It happens that I discovered America, and was born in a small town in the State of Arkansas. I have often remarked that the town is so small that they did not have a Howard Johnson and even if they had had one, it perhaps would have had only two flavors instead of the proverbial twenty-eight.

As a boy, I made perhaps my first real stab at Consumer Education when I went in to purchase some shirts from the local J. C. Penny Store. One of the shirts which was described in glowing advertising terms, sold for sixty-nine cents, and the other a rather deluxe model, sold for eighty-nine cents.

Today, the difference seems minuscule and hardly worth mentioning. Then, it was a monumental decision, making a choice of garment as to longevity, wearability and the other factors that entered my reasoning process and that decision was based on what we may now describe as a facet of Consumer Education.

As a child, I remember that my father owned an automobile which had a gasoline tank capacity of ten gallons. We lived six miles from the Missouri State Line, where gas could be purchased for some four or five cents less per gallon than in the State of Arkansas, due, of course, to the difference in State tax (a subject which has engaged the attention of this group on many occasions.) The distance from my home town

to a gasoline station at the Missouri State Line was six miles each way. The problem then, as presented, was how much do you save by driving to Missouri and filling a ten-gallon tank at a savings of four to five cents per gallon, while using whatever gasoline it took to drive the twelve miles to effect the savings. So, you see, Consumer Education in the broader sense is something in which I have lived since childhood. I have tried since then to translate these experiences and their intrinsic value in terms of money management to my own children. Their more affluent childhood, as compared to my own, makes the lesson a little harder to teach. During another period of my life I served in the State's Attorney's Office of Cook County, and was assigned initially to the Fraud and Complaint Department. Here I heard countless stories of woe from many uninformed citizens, because of their problems without money management. Many of these problems could have been averted, it seemed to me, if someone had bothered to teach them the basics of Consumer Education and Money Management.

At a still later period of my life I was elected to the Illinois State Legislature as a Representative in its General Assembly, where it was my frustrating pleasure for many sessions to work toward what has loosely been described as Credit Reform Legislation.

Finally, in the last session of the Legislature, during my Freshman Senate Term, many rather salutary pieces of Credit Reform Legislation were passed and I am personally, though modestly, proud of my own contribution to their passage.

In addition to these experiences as a child and as an Assistant State's Attorney, and finally as a Legislator, I have come to know from experiences with my own children how little they know about money management and how little value is placed on money, if I may compare my own childhood.

One day, one of my daughters bought a bag of rock candy. I did not know that they sold it any more. I was, of course, surprised to see it in my household, and I was thoroughly shocked when I observed a price tag of thirty-nine cents for a small bag.

When I inquired of my daughter how much this was, she said, "only thirty-nine cents". My childhood recollection of rock candy was, as to cost, not more than five cents a ton. We try, however, to teach money management in many ways. At the age of seven, I bought one of my daughters ten shares of stock. I bought it in a company which has, as its main product, a candy bar called Tootsie Roll. She is now their greatest salesman, paid or unpaid, and cherishes the twenty-four cent dividend checks in an almost unholy sort of way.

It seems to me, however, that she is learning something about the market place, and the younger we start to teach, the better.

I wondered whether the poverty of the Thirties and the affluence of the Sixties, though widely divergent in economic stability, were not nonetheless quite close together and correlated in the context of the need to teach Consumer Education and money management.

I suppose little things happen in every household which are interesting to parents of another generation, but I found it quite interesting when my seventeen year old daughter, upon completion of high school, had her first job in an office where she was paid the sum of \$2.35 per hour.

I was astounded at her first experience in the commercial world as I compared it to my own first experiences. It was interesting, though, that her ten year old sister commended to do little chores for the older one and generally suggested that she, the younger one, should be put on the payroll of the older.

The discussion was interesting. Older girl, "Why are you doing these things for me?"

Younger child, "I thought I should help you, because since you are working, I want to be on your payroll." Older girl, "How much per week do you think I should pay you?" Younger child, "\$3.00 per week." Older girl, who at this time had worked two days during her entire life, "Why, that is too much. You don't know the value of money. I will pay you \$1.50 per week." Younger child, "All right, I think you are cheating me, but I will do it." Older girl exits room and younger child says to me, "You know, I really only thought I could get fifty cents. I drove a pretty good bargain, didn't I?"

All of these experiences, though personal, in a combined fashion clearly showed to me the need for Consumer Education and Money Management.

Personal experiences aside, I took a rather academic approach to the need for this legislation and my curiosity satiated by a report done at my request by the Legislative Council of the State Legislature. Research very clearly showed the need for teaching Consumer Education in a period of affluence as well as in a period of extreme poverty.

There you have a composite of my reasons and my interests in this much needed field of concentrated learning.

Consumer education in the United States had a push forward in the 1930's due to the Great Depression. Many believe we are on the verge of another great movement in Consumer Education, this time caused partly by our affluence rather than our hard times. Some believe that children today are not receiving the training in the homes they should with respect to Consumer Education and that schools should provide it. Others, however, believe that the schools are not the place to teach Consumer Education.

Some believe that a Consumer Education gap has arisen within the last generation and that many children no longer receive adequate consumer training at home. Part of this is due, it is thought, to increasing affluence, and also to the fact that the marketplace has become more complicated.

Spending by teen-agers has risen sharply in recent years, according to sources. Some are concerned that while children are big spenders today, they will be even bigger spenders in the future as adults. The fact that many young marriages are breaking up over financial reasons leads some to believe that the schools should do more in teaching about consumer education.

On the other hand, others believe that consumer education should be taught in the homes and that the public school curriculum is already too full to take on consumer education courses. A college professor is quoted as saying after hearing the supposed virtues of consumer education, "This all sounds very interesting, but don't you think consumer education is much too practical to be academically respectable?"

Consumer education apparently had its beginning in the first home economics courses which started about 1900. A great boost in consumer education courses reportedly came with the Great Depression of the 1930's. By the early 1940's, consumer education "Had a firm grip on some of the rungs of the education ladder". The public was reportedly interested in any source which would show their children how to spend money and time intelligently, how to avoid frauds and schemes, and how to analyze advertising.

In 1944, the National Association of Secondary School Principals stated, "All youth need to understand how to purchase and use goods and services intelligently, understanding both the value received by the consumer and the economic consequences of their acts."

By 1955, Consumer Education had peaked and until, approximately, 1960, stayed at its peak. It, then, dropped off due to a number of reported reasons: Courses were being taught by half-interested teachers drafted

to fill vacancies. Original teachers of Consumer Education courses had moved on to bigger and better jobs. Colleges preparing teachers had not instituted many courses for Consumer Education. Separate Consumer Education courses folded and their contents became parts of other courses.

The Director of Curriculum Development in the Office of the Superintendent of Public Instruction is of the opinion that most teachers of social studies in Illinois spend considerable effort in teaching about consumer finance and economics. This exposure to some sort of economic education starts reportedly at about the fourth or fifth grade level. A University of Chicago office concerned with economic education reports that Illinois children receive some sort of Consumer Education, but it is mostly economic theory. Reportedly, some amount of consumer education is taught in home economics and vocational education courses in Illinois.

A survey of several textbooks on Consumer Education in the Illinois State Library indicated the following topics are some of those usually covered:

"The Consumer in Today's Business World Managing Money," "Budgeting for the Individual," "Budgeting for the Family," "Savings," "Substitutes for Money."

"Using Credit," "Credit and the Consumer," "Installment Buying," "Borrowing Money."

"Good Buymanship," "Planning Before Shopping," "Using Advertising Intelligently," "Shopping Know-How."

"Buying Insurance," "Social Insurance," "Life Insurance," "Accident and Health Insurance," "Property Insurance."

"The Law and the Consumer," "Making a Contract," "Legal Aspects of Buying," "Using Credit Instruments," "Consumer Protection by Law."

Some believe consumer education is not dead. Economics teachers, for example, report a strong student interest in consumer relationships in their courses. Others, such as science, physics, chemistry and even English teachers, report interest in consumer relationship aspects they inject into their courses.

If you have any desire to get such a Bill passed in your State, I would recommend that there are five principal groups which deserve your attention. They are the educators, the business community, the Legislators, including of course, the Governor, who must sign the Bill, the Communication Media and the Parent-Teachers Associations.

We are pleased to announce that we successfully put these groups together in the context of interest and work and through them got passed into law, the Consumer Education Bill of the State of Illinois.

At the present time, Mr. Ray Page, our State Superintendent of Schools, who under the terms of the Bill is charged with the responsibility of developing the course and curriculum for grades ten through twelve, has convened and activated an experienced curriculum commission to establish the required consumer credit education courses and to establish the necessary reference materials for sound instruction use, courses and material approved not alone by credit grantors of the highest reputation, but also of union leaders, consumer agencies and educational authorities to insure courses providing a full balance for the inquiring student. You will be happy to know that, although Fred Goerlitz of our State, though he retired on January 1st, is going to be working with this developmental group. You see, in Illinois, we don't let good brains leave us. We use them.

From years of personal experience, both as an Assistant State's Attorney, assigned to the Fraud and Complaint Division, and also, after years of frustrating efforts as a State Legislator to help pass credit Reform Legislation, I came to know and realize that the basically real though painfully slow

method of helping the citizenry was by starting with the young, while still in school, and teaching the, in an orderly fashion, the proper concept of credit and money management. They must be imparted the knowledge that Consumer Credit is a vital part of their lives—either a great opportunity or a frightful menace to their economic and social lives. They must see consumer credit for what it is—an economic device through which they may acquire what they want and pay for it out of future earnings. They must be impressed with the understanding that consumer credit serves to maintain the important balance between America's production, distribution and consumption. They must be taught that properly regulated and properly used consumer credit is absolutely essential to acquire the sales volume needed to run this economy and adequately finance the enormous demand for more and more jobs, more and more spendable income and more and more taxes to pay for the solvent operation of an enlightened Nation.

"Hence, the idea of adding to our school curriculum, or, rather, of balancing and practicalizing our courses of study; the teaching of consumer education, is but a natural outgrowth of our penetrating desire to obtain financial responsibility, to make the thought of bankruptcy the disgrace which it too often is, and to lessen, through education, the need for laws which can have no meaning, no usefulness unless those who presumably must live under them can understand them and have the full protection which only their understanding can bring about."

Teaching to the consumer the cost of the use of money, money management, what to buy for cash and when to use credit are all parts of the much needed equipment for a well-planned financial life. One solid course in the intelligent use of consumer credit is, in the long run, worth a hundred costly enforced laws directed at the abuses of credit by both buyer and seller.

Reputable sellers need enlightened buyers. Enlightened buyers cherish reputable sellers.

Mr. KARTH. Mr. Chairman, I rise to protest the proposed exemption of revolving credit from the annual rate disclosure requirements of this bill.

There has been an enormous amount of store salesmanship to the Members of this body on the proposition that revolving credit should be exempted because 1½ percent per month is supposedly not really 18 percent per year. It is alleged that the true annual rate is impossible to figure because of, first, the beginning period in which no credit charge is imposed—the so-called free ride, and second, the fact that people purchase and repay at individually different points of time and in different amounts.

Mr. Chairman, this is pure obfuscation. All charge account customers get the free ride whether or not they use the store's plan for extended credit. They may decide on full repayment before the end of the free period, thereby avoiding service charges altogether, or they may decide to finance the purchase by paying installments over a period of months, in which case they pay service charges for the extra time they take. The point at which the service charges begin to run is the relevant starting point for figuring out whether the store's credit is cheaper or that of some other lender. If the customer decides in favor of another source of financing, he pays off his account before the end of the free pe-

riod and commences repaying the alternative lender who has offered a lower credit cost. It is nonsense to include the free period in the figuring of the annual rate, since the customer is under no obligation to continue to use the store's credit after the free period has expired.

Second, the fact that the customer may make repayments at varying dates within any particular period is irrelevant. What is important is the normal schedule of repayments and the rate of charge assessed for that schedule. It can be mathematically demonstrated that with elimination of the free ride from the computation and the use of the scheduled repayment dates to which the customer is fully entitled, a monthly rate of 1½ percent does in fact work out to 18 percent per year.

Mr. Chairman, the alleged impossibility of converting monthly revolving credit charges to an annual rate basis is simply special interest pleading which should be rejected by this body. I hardly need elaborate the enormity of the loophole the revolving credit exemption would create. It invites every lender who can do so to convert to revolving credit in order to maintain a competitive position by avoiding disclosure of annual rates of charge. Those who cannot convert will simply suffer the consequences. The consumer will continue to be misled, and to believe that a stated annual rate of 14 percent by a furniture store is more expensive than a 1½-percent monthly rate quoted by a department store, although the exact opposite is true.

We are here to pass a bill which will require annual rate statements by all lenders, so that the credit buyer and the loan borrower can know the true cost of his credit, so that one creditor does not have an unfair advantage over another, and so that consumers can compare finance rates not only on consumer loans but also with other interest charges ranging from savings accounts to mortgages to the national debt.

I urge defeat of the revolving credit exemption in favor of the full coverage provisions of H.R. 11601 as originally introduced.

Mr. REUSS. Mr. Chairman, I rise to speak in support of title II of the committee's bill providing for certain restrictions on the garnishment of wages. The committee's hearings fully document justification for these provisions.

The restrictions on the garnishment of wages proposed by the committee received the endorsement of both major trade unions in the country as well as major industrialists. The AFL-CIO, the United Automobile Workers and Steelworkers of America are joined by the United States Steel Corp., Inland Steel Corp., and the Republic Steel Corp. in supporting the limitation on the garnishment of wages.

In addition to these endorsements, the committee's hearings include the testimony of four U.S. referees in bankruptcy. These referees, coming from such diverse areas of the country as Tennessee and Oregon, California and Texas, uniformly supported a ban or restriction on the garnishment of wages. They pointed out from their cumulative experience of more than half a century in bankruptcy courts

that garnishment is the single most significant factor driving people into personal bankruptcy. It was their considered judgment that 99 percent of the debtors turning to the bankruptcy courts seeking personal bankruptcy were willing and anxious to pay off their debts but were fearful of the impact of the garnishment of wages on their ability to continue to support their families. These people were left with no alternative but to plunge themselves into personal bankruptcy.

The committee's proposal is modest, indeed. Rejecting an absolute ban on the garnishment of wages, the committee amendment would restrict such garnishment to 10 percent of earnings above \$30 a week and would prevent an employer from discharging an employee by virtue of a single garnishment of wages.

The record shows that where garnishment is used, it is used essentially by relatively few merchants or lenders in a community and is most frequently used by unscrupulous merchants or lenders, preying on the poor and unsophisticated.

There is every justification for the committee amendment. It provides a reasonable limitation on the garnishment of wages while still permitting the legitimate use of garnishment by creditors.

I urge the adoption of the committee amendment.

Mrs. KELLY. Mr. Chairman, today I rise in support of H.R. 11601, the Consumer Credit Protection Act legislation which is vitally needed to protect all of our fellow Americans and particularly those of modest or low incomes.

During my years in the Congress, I have continually voted for and supported measures to protect the family and the individual from fraud and deceit in the marketplace and from dangerous products. Only last session the Congress enacted much needed legislation which had my support to protect the consumer such as the Flammable Fabrics Amendments of 1967 which establishes new standards to provide protection against the sale of highly flammable wearing apparel and interior furnishings. Also the Federal Meat Inspection Act of 1967 which provides for Federal-State cooperation for intrastate meat inspection standards and a program to bring State meat inspection systems in line with Federal.

However, the Consumer Credit Protection Act which we are considering today if enacted without restrictive amendments could be the most important consumer legislation passed by the Congress in years.

The lending of money and the extension of credit are now among the largest businesses in the United States. I believe that the very least we in the Federal Government can do for the consumer is to require those who extend credit to give to their customers a clear statement of the costs of that credit.

Therefore, on February 1 of last year, I introduced H.R. 4485, the Truth in Lending Act which would accomplish many of the objectives of title I of H.R. 11601, which we are considering today.

On August 8, 1967, I testified before the Consumer Affairs Subcommittee of the Banking and Currency Committee in support of my bill at which time I also

stated my support for a Consumer Credit Protection Act.

A bill with provisions similar to mine, S. 5, but with certain exemptions I do not support passed the Senate. These exemptions to which I am opposed would exempt from the protection of the law revolving credit transactions which are used by large department stores and extensions of consumer credit of up to \$100.

In regard to these exemptions I wish to join my able colleague, Mrs. LEONOR K. SULLIVAN, in urging this body to enact a bill which will cover revolving credit transactions and extensions of consumer credit of up to \$100.

Mr. RYAN. Mr. Chairman, inasmuch as I have sponsored truth-in-lending legislation in the four Congresses in which I have served, I am glad that this issue has finally reached the floor of the House. Initially, I was pleased to cosponsor the bill first proposed by Senator Paul Douglas, who was the early pioneer in this area and whose determined efforts brought this legislation to the point of enactment. I only regret that, as this proposal is finally realized, he is no longer serving in the other body.

The 90th Congress has made significant progress in the long-neglected field of consumer safeguards. Following the record of the 89th Congress in truth in packaging, cigarette labeling, and auto safety measures, it has passed legislation in the areas of flammable fabrics, clean meat, and clean air. Later this session should deal with bills to require pipeline safety and electric reliability.

At last after years of delay Congress is on the verge of passing a truth-in-lending bill. However, the question still unresolved is whether it will be worthy of that title, or whether it might better be called the "half-truth in lending bill."

The Subcommittee on Consumer Affairs under the chairmanship of the distinguished lady from Missouri [Mrs. SULLIVAN] has reported out a strong consumer credit protection measure. However, H.R. 11601 has been reported with amendments which weaken it. As introduced, H.R. 11601, which I sponsored as H.R. 11806, was substantially stronger than S. 4 which passed the Senate without a dissenting vote.

S. 4 provides for the disclosure of most types of consumer credit. However, it exempts first mortgages and loans where the cost of credit is less than \$10. It also exempts open-end or "revolving" credit from the annual-rate disclosure requirement.

As introduced, H.R. 11601 applied to these transactions.

H.R. 11601 includes a restriction on garnishment of wages and a provision that credit charges be disclosed not only at the time of sale, but in advertising as well. It also creates a Consumer Finance Commission to study other aspects of consumer credit, which may require further legislation.

The astonishing rise in personal bankruptcies is due in large part to the overextension of consumer credit, frequently to persons whom the seller well knows cannot afford further indebtedness. Over indebtedness makes a person easy prey for those offering credit at phenomenally high interest rates.

The clear public disclosure of credit charges will serve to protect the consumer.

When Senator Paul Douglas first introduced this controversial idea in the 87th Congress, with 21 cosponsors, he noted three compelling reasons why such a bill should be enacted. First, business ethics: to drive out the unethical lender. Second, economic stabilization: to encourage consumer restraint at times when interest rates were high. Third, invigorated competition: to enable the consumer to comparison shop for the fairest terms of credit.

In the 7 years since Senator Douglas and I first introduced this legislation, outstanding consumer indebtedness has nearly doubled, and interest rates are the highest in decades. Never has the need been clearer for the strongest possible consumer credit legislation.

The recent ghetto disorders give a new urgency to strong consumer legislation. Victimization by unscrupulous merchants and finance companies adds fuel to the fires of ghetto resentment. When riots broke out, looters turned first to those businesses which had been "gouging" them—selling inferior merchandise at inflated prices, frequently through the use of inflated credit.

Sargent Shriver, Director of the Office of Economic Opportunity, called the practice of gouging the poor "a major contributor to the frustration and despair which finally led to the tragic upheavals which have recently rocked Newark, Detroit, and so many other cities."

The provisions of H.R. 11601 were formulated to require clear disclosure of credit costs so that consumers can rationally decide whether to incur further debt. Full and uniform disclosure of credit costs permit the consumer to compare "bargains" and assist him to be a thrifty shopper. Disclosure should be uniform, based on annual rate, so that rational comparison is possible. Requiring disclosure in advertising is part of this concept.

The inclusion of first mortgages is an important element, since mortgage indebtedness is often the largest single component of a consumer's credit debt. The homeowner should know the total cost of his credit, so he can estimate the advantages of paying off the debt on his home as soon as possible as compared to financing other purchases through additional credit.

The restriction of garnishment properly places a part of the burden for the responsible management of credit on those who extend it. If wages can no longer be garnished, the merchant and the finance company will be wary of overburdening consumers already heavily in debt.

Mr. Chairman, H.R. 11601, as reported with amendments, is changed in several respects. Certain important provisions, such as the regulation of margins on commodity futures, the ban on confession of judgment notes, and a Federal usury ceiling were not included and deferred for further study or appropriate action. I believe that regulation is needed in these areas.

Amendments have been reported in two areas which can only weaken the

intent of the bill. H.R. 11601 has a loophole for loans where the credit charge is under \$10 and an exemption from the annual rate disclosure requirement for revolving or open-end credit. I urge that these amendments not be agreed to.

Truth-in-lending legislation should not be watered down. If the bill the House adopts is not strong, the maze of credit confusion will be only partly clarified—to the advantage of the unscrupulous who take advantage of the unprotected. Our responsibility not only to the consumer but also to the ethical businessman is to enact a uniform and comprehensive measure.

GENERAL LEAVE TO EXTEND REMARKS

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that all Members may extend their remarks at this point in the RECORD on this bill.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. PATMAN. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. VANIK].

Mr. VANIK. Mr. Chairman, I rise in support of the truth-in-lending legislation and the efforts which are offered to broaden the scope of this legislation to include department store revolving credit accounts. This Congress must not deceive the American people by permitting them to believe that they are advised on their interest charges when one of the major items of interest, the department store charges, which currently run at 18 percent per year, are not covered by this legislation in its present form. The trouble with revolving credit is that the consumer gets revolved.

Many years ago in the Cleveland community, I was shocked to learn that the 18-percent interest charge assessed by department stores was not a condition of the contract of credit between the department stores and the consumer. When I first inquired into this matter in my community I was told by a department store which assessed the charge that the 18-percent interest charge was made under prevailing department store policies, by custom, rather than by any agreement between the consumer and the department store.

Subsequently, in my own dealings with department stores, I was shocked to discover through my own experience that it was not the policy of certain department stores to advise the consumer of credits to which he may be entitled. In my own situation, I paid a Cleveland department store twice for a suit which I purchased because I was twice billed and I issued two checks for the same purchase. Not until 2 years later when I audited my accounts did I discover that the department store owed me \$95 for a period of 2 years, never once advising me of my credit, never once paying me 1 penny of interest on my money which the department store used over this period of time. If it is proper to charge interest on unpaid debts it is equally valid to expect interest on credits.

Although most department stores are accurate and reliable in their accounting methods and very prompt to assess the 18 percent interest charge on the

unpaid balance, there is one department store which operates in the Washington area which handles its records out of a New York bookkeeping office. This company has double billed me on several occasions and in checking around with other families in the Washington area, I have found 12 different situations in which this company has double billed accounts for consumer purchases. An operation such as this comes very close to defrauding the public with the use of the mails. It would be difficult to estimate the total amount of annual loss to the American consumer through department store bookkeeping errors which rarely redound to the advantage of the consumer.

Frankly, the best protection to these consumer losses is to reduce the degree of credit purchases and rely more extensively on payment for purchases by personal check.

The unfortunate thing is that department stores are more in the banking business than they are in the selling business. Apparently they make more money on the 18-percent interest charge than they do in the selling of merchandise. While credit accounts are apparently expensive to maintain and an added burden on the consumer by increased consumer prices, the cash purchaser gets practically no incentive for buying providently and paying for his purchase when he makes it. Very often it is more difficult for him to correct a breach of warranty or to return a misrepresented product unless he carefully saves the purchase receipt.

It certainly is not in the public interest that interest charges by department stores on any unpaid balance are not indicated on the bill or identified as such. Even if the annual interest rate is not indicated, the interest charge on the unpaid balance should be identified so that the consumer is not misled in believing that the interest charge is a purchase.

Although I would prefer that interest charges on an unpaid balance be reported on department store accounts stating the interest rate on an annual basis, I would also like to insure that the interest rate on a department store account are clearly marked and identified as "charges for interest on unpaid balance."

This would help the consumer to clearly identify the interest charge even though the annual rate of interest is not printed or published on the account notice.

If the consumer can plainly see on his department store bill a separately, clearly identifiable charge for interest, it will clearly advise him of the total amount he must pay every month for interest on the unpaid balance and for any penalty in failing to pay his account.

If department stores are going to be in the banking business, we should clearly demand that they use banking methods so that no one is deceived and so that every consumer can clearly see what the credit privilege is costing him every month.

(Mr. VANIK asked and was given permission to revise and extend his remarks.)

Mr. PATMAN. Mr. Chairman, I have no further requests for time. Since the time has expired on both sides, I ask that the Clerk read.

The CHAIRMAN. There being no further requests for time, the Clerk will read.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. This Act may be cited as the "Consumer Credit Protection Act".

Mr. PATMAN. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair (Mr. PRICE of Illinois), Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 11601) to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes, had come to no resolution thereon.

GENERAL LEAVE

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that all Members may extend their remarks in the RECORD on the bill H.R. 11601 and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

APPOINTMENT AS MEMBERS OF THE U.S. DELEGATION OF THE CANADA-UNITED STATES INTER-PARLIAMENTARY GROUP

The SPEAKER. Pursuant to the provisions of section 1, Public Law 86-42, the Chair appoints as members of the U.S. delegation of the Canada-United States, Interparliamentary Group the following members on the part the House: Mr. GALLAGHER, of New Jersey, Chairman; Mrs. KELLY, of New York; Mr. MURPHY, of Illinois; Mr. JOHNSON, of California; Mr. ST GERMAIN, of Rhode Island; Mr. PIKE, of New York; Mr. KEE, of West Virginia; Mr. ANDREWS, of North Dakota; Mr. STAFFORD, of Vermont; Mr. THOMSON, of Wisconsin; Mr. DUNCAN, of Tennessee; Mr. BROOMFIELD, of Michigan.

APPOINTMENT AS MEMBERS OF THE U.S. DELEGATION OF THE MEXICO-UNITED STATES INTER-PARLIAMENTARY GROUP

The SPEAKER. Pursuant to the provisions of section 1, Public Law 86-420, the Chair appoints as members of the U.S. delegation of the Mexico-United States, Interparliamentary Group the following members on the part the House: Mr. NIX, of Pennsylvania, Chairman; Mr. WRIGHT, of Texas; Mr. JOHNSON, of California; Mr. GONZALEZ, of Texas; Mr. DE LA GARZA, of Texas; Mr. SELDEN, of Alabama; Mr. FRASER, of Minnesota; Mr. SPRINGER, of Illinois; Mr. MORSE, of Massachusetts; Mr. HARVEY, of Michigan; Mr. WHALLEY, of Pennsylvania; Mr. DOLE, of Kansas.

APPOINTMENT AS MEMBERS OF THE U.S. GROUP OF THE NORTH ATLANTIC ASSEMBLY

The SPEAKER. Pursuant to the provisions of section 1, Public Law 689, 84th Congress, as amended, the Chair appoints as members of the U.S. group of the North Atlantic Assembly the following members on the part of the House: Mr. HAYS, of Ohio, Chairman; Mr. ROBINO, of New Jersey; Mr. RIVERS, of South Carolina; Mr. CLARK, of Pennsylvania; Mr. BROOKS, of Texas; Mr. ARENDS, of Illinois; Mr. CHAMBERLAIN, of Michigan; Mr. BATES, of Massachusetts; Mr. FINDLEY, of Illinois.

RESIGNATION FROM COMMITTEE ON GOVERNMENT OPERATIONS

The SPEAKER laid before the House the following resignation from a committee:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., January 30, 1968.

Hon. JOHN W. MCCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: It has been a privilege and honor to work with the many fine members of the House Committee on Government Operations; however, I am submitting my resignation as a member of this committee effective immediately.

My association with and participation in the deliberations of this group will remain a pleasant and rewarding experience.

Sincerely yours,

BOB DOLE,
Member of Congress.

The SPEAKER. Without objection, the resignation will be accepted.
There was no objection.

ELECTION TO COMMITTEE ON GOVERNMENT OPERATIONS

Mr. GERALD R. FORD. Mr. Speaker, I offer a privileged resolution (H. Res. 1051) and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 1051

Resolved, That Paul N. McCloskey, Jr., of California, be, and he is hereby, elected a member of the standing committee of the House of Representatives on Government Operations.

The resolution was agreed to.
A motion to reconsider was laid on the table.

IGOR SIKORSKY—A GREAT AMERICAN

(Mr. PICKLE asked and was given permission to address the House for 1 minute, and to revise and extend his remarks.)

Mr. PICKLE. Mr. Speaker, back in mid-December, I had the honor of attending the annual Wright Day Dinner of the Aero Club of Washington. At that time, all in attendance were delighted by Igor Sikorsky, a mild, soft-spoken man who is renowned as the father of the helicopter.

Sikorsky's work stands alone as a model of dedication and imaginative spirit, and it was for this reason that he was awarded the 1967 Wright Memorial Trophy. At the same time, I believe the comments he made that evening show the true value of a free man working on those projects and goals which most capture his own heart.

It is no surprise that America has fostered men like Igor Sikorsky, and at this point in the RECORD, I include excerpts from Mr. Sikorsky's speech, as they appear in the February 1968, issue of the Air Force magazine:

FREE MEN ARE THE TRUE PIONEERS
(By Igor I. Sikorsky)

(NOTE.—Igor I. Sikorsky, who was born in Russia and built airplanes in that country only a few years after the Wright brothers achieved powered flight in the United States, was recently honored for his achievements with rotary wings. Like the Wrights, he knew failure as well as success. It was in America that his efforts were rewarded.)

(NOTE.—The 1967 winner of the Wright Memorial Trophy was Igor I. Sikorsky, Russian-born inventor of the helicopter and contemporary of the Wright brothers. Mr. Sikorsky, now seventy-eight years of age and still a consultant with United Aircraft Corporation, built and flew historic airplanes in his native country before he became one of America's outstanding aeronautical engineers. During his active career of almost sixty years, he grew to appreciate both the problems faced by aviation pioneers and the opportunity provided for them to do their pioneering in the free world. Acknowledging the award at the annual Wright Day Dinner of the Aero Club of Washington last December 14, Mr. Sikorsky shared his reflections with his friends. Here are some of his observations about the early days of aeronautics.)

The Wright brothers realized the immensity of the problem (facing) them and the definite risk of failure. I have witnessed such failures, and I know . . . the failures are just as much a tragedy as crashes.

Now, why is it that the Wright brothers succeeded when everyone else failed? I would say, strange as this may sound, that their approach was remarkable in their scientific ingenuity, common sense, truthfulness, and real ability. . . . They realized that building a successful flying machine is only part of the thing; learning how to fly it is the other part.

Therefore, the extremely correct approach, by way of gliders. Now, more than that, gliders call for very special conditions of terrain and weather, and so the Wright brothers studied these conditions, got information from proper sources in Washington, contacted the actual people and places, got a very complete . . . friendly letter and

a fine letter, explaining the conditions from Captain Tate, who was, I believe, the Postmaster in Kitty Hawk at that time, and also in charge of the lighthouse. . . . To my mind, Kitty Hawk was a part of their success. Maybe they wouldn't have succeeded if they [had not] selected a spot difficult to reach, with its purple, gentle hills, with reasonably strong, uniform winds nearly every day. I have been there a multitude of times, and I observed this, and just as many of us admire the so-called Natural Bridge in Virginia, so I would dare to give the name to Kitty Hawk as the "Natural Wind Tunnel," because that's what it is.

Now, next, when the actual mechanical flight approached, another thing took place. Instead of trying to reach rapidly a success, trying to get some publicity with success, we see them steadily working, perfectly and accurately recognizing the difficulties of the problem and trying to eliminate it, and aiming at one spot, like a good general tries to cross and to smash the enemy just in one spot. . . . So they attacked the enemy of the unknown, trying to build a flying machine which would fly and postponing everything else, . . . even at the cost of compromises. . . . For instance, they put the pilot in a prone position, lying down; well, obviously impossible—a pilot must sit. But no; they put him lying; less resistance, quicker to success.

Now, other things. Every airplane must have wheels; the Wright brothers left wheels on the ground . . . reducing weight and drag in the new, young machine. Now, another thing: every practical engineer knows that you can cross a belt, but you should not cross a chain. It's wrong to cross a chain, and the bicycle men, brothers Wright, knew it better than anyone else. They crossed the chain, and made a mechanical flight by man, by years earlier than anyone else.

Hence, they started the pioneering period of flying. America can be proud that the pioneering period which they started . . . was completed and closed by another great American, Charles Lindbergh, and his wonderful flight of May 21, 1927, when he took off from New York and landed not merely in Paris, but in a definite spot, Le Bourget Airport. This flight of one man in a relatively inexpensive airplane, all alone, with no preparation whatsoever . . . produced a tremendous impression all over the world, and in America, where the boost and impact on the development of aviation made by this flight was tremendous.

Now, I had a chance to talk with Charles on this subject, and I asked him why, "How would you go all alone?" This was his explanation: he wanted it, wanted to go alone, not with someone. Now, what he explained was this: He said, "When I go alone, I risk my life, not somebody else's, and my life, I am the master of it, I can do anything I want." Furthermore, "on the way, I may find difficulties, may find questions to solve. If I am alone, I am going to solve it. If there is another man, I'll want to consult with him. I don't want to risk his life; I can risk mine. I don't want somebody else. I want to be in total control of the situation."

My discussion with Charles was over a quarter of a century ago, but I remember it very well. Maybe the wording was different, but the meaning is correct. The man wanted complete freedom of decision and action. He took it; he took a risk with his own life, but he won, and he gave a tremendous push to aviation.

In connection with this, I would like to state the following: Here we see two cases where the individual initiative, individual work, and the total freedom to use both worked for the best, resulted in brilliant success and victory. And I believe that this is something which makes America strong, something which I hope we will stick to. Even now I am asked sometimes whether at the present time all this individual work is

more or less over and the only way to do is by enormous organized masses of men disciplined and working on some scientific problem or other.

No doubt with such things as space travel or nuclear engines it could not have been otherwise, but outside of that there is still a wide field left for the initiative of an individual man, and therefore it is my firm conviction, approaching the end of my life and having seen something and having worked myself, that still nothing can replace the free work of free men; that's where real progress is . . . started.

Once done, it must be expanded. In the process of expansion, mass production, and so forth, why, obviously, the organization and so forth are entering the picture, but still, for starting, the man is the greatest single element which can do it, and the man, in order to do it and do it right, must have freedom, freedom of initiative, freedom of work, freedom to start something.

NASA AND THE BUDGET MESSAGE

(Mr. CABELL asked and was given permission to extend his remarks at this point in the Record and to include extraneous matter.)

Mr. CABELL. Mr. Speaker, I have studied the President's budget request for fiscal year 1969 with care, and, as a member of the House Committee on Science and Astronautics, I have reviewed the request for authorization and appropriation for the National Aeronautics and Space Administration with particular interest. It has been my opinion in the past that there are a number of areas in which Federal spending could and should be cut and I am pleased to see that some of these reductions have been made. However, I do not believe that the budget for NASA should have been reduced as much as it was last year and I would be very concerned about reductions in this year's budget.

A strong and continuing interest in advanced science and technology is a necessity for any country that would be a powerful voice in the affairs of the world today. This is true regardless of stresses that may be placed on a country; indeed it is all the more important when a country is under pressures around the world and when some doubt its will or ability to meet its commitments. Therefore, I intend to review any proposals to further reduce the NASA budget, from which we as a nation gain so much of the science and technology that is produced in this country today with critical care.

Although the President's budget, which would provide NASA with \$4.37 billion of new obligational authority, is an austere one, there are encouraging signs this year for NASA that I would like to call to your attention. A year of what Administrator Webb characterizes as "rolling readjustment" to last January's fire has been capped with the stirring success of the first Saturn V launch last November and the first flight qualification of the Lunar Module or LEM, this month. The LEM is the vehicle in which later in this decade two astronauts will descend to the surface of the Moon and then rejoin the command and service modules and return to Earth. Recent months have also seen the successful completion of two remarkable programs

of unmanned lunar exploration—the Lunar Orbiter program and the Surveyor program.

As we turn then toward the end of unmanned exploration of the moon and toward the period of manned exploration, the President's budget does provide the funds to carry on the Apollo program. Apollo, aimed at the development of capabilities enabling us to use man in space out as far as the Moon can proceed under this budget at a pace which retains the possibility of manned lunar landing in 1969. Although combined 1968–1969 funding for the follow-on Apollo applications program is about \$1 billion less than had been planned, NASA has been able to retain the flexibility, if the fiscal year 1969 budget is fully supported, to make a limited number of highly significant manned flights after the lunar landing, leading toward a Saturn V workshop in earth orbit in 1972. This Saturn V workshop can serve as the equivalent of an antarctic base to which explorers can go for shelter and around which they can begin to build the rudiments of what will someday be a permanent base in space for scientific and applied work.

Taking the view that we should not abandon the planets to the Russians, the President has recommended in his budget that we provide funds for continued planetary exploration in the early 1970's—with more modest expenditures and therefore more modest goals—but nevertheless with highly significant flights in 1971 and 1973. These flights include a rough surface lander on Mars in 1973 to test the Martian atmosphere and weather conditions on the surface. The budget also would provide for continued augmentation of NASA's aeronautics work, including a doubling of aircraft noise research, and for continued steady expansion of space applications work from which we get communications and weather satellites and the most direct practical benefits from the space program.

Mr. Speaker, I am heartened by these positive signs and I commend to the Members of this body their thoughtful and careful consideration of the budget request for NASA this year.

IN DEFENSE OF THE CORNER DRUGSTORE

(Mr. STUBBLEFIELD asked and was given permission to address the House for 1 minute, and to revise and extend his remarks.)

Mr. STUBBLEFIELD. Mr. Speaker, I am glad to speak in the interest of the small businessmen of America and in the interest of better medical care for our citizens. On December 30, 1967, in New York City, the Food and Drug Commissioner, Dr. James L. Goddard, made several statements that will cause irreparable public harm for many years to come. By stating that the corner drugstore should be closed down within 20 years and that all prescriptions should be filled in hospitals and physicians' offices, the Commissioner turned the clock back 50 years on progressive and high-quality medical care and demonstrated an un-

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

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HIGHLIGHTS: House debated consumer credit protection bill. Sen. Mundt introduced and discussed bill to extend Public Law 480.

SENATE

1. BUDGET. Sen. Williams, Del., criticized the President's budget and the accounting procedures used in the budget. He called for a reduction in Federal spending and employment. pp. S688-703

2. FAMILY FARMS. Sen. McGovern raised questions on the economic impact of expanding corporate farming to smaller family farms and the social impact of rural migration to the cities. pp. S683-4
3. GRAINS. Sen. Magnuson spoke in favor of ratification of the International Grain Arrangement. p. S676
4. SURFACE MINING. Sen. Lausche spoke in favor of his bill S. 217, to establish a Federal-State system for the regulation of surface mining operations. p. S673
5. TRUTH-IN-LENDING. Sen. Proxmire urged enactment of a strong truth-in-lending bill. pp. S676-7
6. POLLUTION; CONSERVATION. Sen. Murphy commended the "Lassie" television program for its appeal of antipollution, conservation, and beautification of our natural resources. p. S677
7. ECONOMY; SPENDING. Sen. Proxmire stated that "based on the January selected economic indicators, there continues to be no evidence of any major increase in military demand for goods and services," and inserted a report on this subject. pp. S673-4
Sen. Javits urged a cut in Federal spending and the establishment of budgetary priorities before the proposed tax increase is enacted. pp. S703-7
8. INTERGOVERNMENTAL RELATIONS. Received the annual report of the Advisory Commission on Intergovernmental Relations. p. S657
9. POVERTY. Both Houses received the initial report the Ozarks Regional Commission dated Sept. 7, 1966, to Dec. 31, 1967. pp. S657, H675

HOUSE

10. CONSUMER CREDIT. Continued debate on H. R. 11601, the consumer credit protection bill. pp. H603-39
11. WILDLIFE. The Merchant Marine and Fisheries Committee voted to report (but did not actually report) H. R. 11618, amended, to prevent the importation of endangered species of fish or wildlife into the United States, to prevent the interstate shipment of reptiles, amphibians, and other wildlife taken contrary to State law; and S. 2447, to amend section 2 of the Migratory Bird Conservation Act. p. D51
12. TRUTH-IN-PACKAGING. Rep. Olsen spoke of the "need and justification" for the extension of time, as "vested under the law," for industry to comply with the provisions of the Fair Packaging and Labeling Act, and inserted a supporting article. pp. H642-3
13. BUDGET; FISCAL AFFAIRS. Rep. Curtis criticized the President's budget and stated that his figures say "I shall not cut either Federal spending or Federal deficits." pp. H650-1

an understanding of sacrifices by men who are moved by patriotism, and they show a realization of the obligations owed them by the Nation as a whole.

The message will be heard and appreciated by all those men and women now serving and by those recently called to active duty.

These same people will be watching for still another message, and we are the ones who will send it. By our action or inaction on the President's proposals, we will be sending answers to these questions:

Are we concerned enough about the ones they leave behind to give them adequate life insurance?

How will we help the serviceman in his transition back to civilian life?

Will we take the necessary steps to insure that he gets the best medical care?

How will we use his newly developed talents and how will we help him channel them into civilian pursuits that will benefit him and the nation as a whole?

When we ask him to teach in the ghettos where his leadership is so sorely needed, will we ask him again to serve out of patriotism alone or will we see that he is justly compensated?

Our response to these questions will be a message from the American people. I am sure they want it to be a message of encouragement.

It will show how the people feel about the sacrifices made by their sons and husbands as they meet the enemy in Vietnam; as they leave their homes and jobs for a sudden call to active duty; stand ready in aircraft that can turn toward an aggressor on a moment's notice; or as they gather vital intelligence off an enemy coast.

Regardless of the action we take, these men will continue to do their duty as they see it. But the only way they can be sure their sacrifices are understood and appreciated is to receive a message from this Congress in the form of quick action on the President's recommendations.

I urge you to give these proposals the same careful attention and speedy enactment that followed the President's 1967 proposals on this subject.

(Mrs. GREEN of Oregon asked and was given permission to extend her remarks at this point in the RECORD and to include extraneous matter.)

[Mrs. GREEN of Oregon's remarks will appear hereafter in the Extensions of Remarks.]

COMPENSATION FOR VOLUNTEER FIREMEN

(Mr. GUDE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GUDE. Mr. Speaker, today I have introduced a bill to provide compensation for totally disabled local firemen—volunteer as well as paid—and survivors of volunteer and paid firemen disabled or killed while serving in the line of duty in an area of civil disorder.

We all know the hazards encountered by these valuable men of our commu-

nities under normal firefighting circumstances. But if they must be called upon to serve in an area of civil disorder, they risk the additional perils of hurled rocks, slashed hoses, and even gunfire. In such instances, the volunteer fireman is just as vulnerable to injury and death as the paid fireman—perhaps even more so because he usually has had less training and experience.

In the United States, it is estimated that there are over 900,000 volunteer firemen and 172,000 paid firemen. In my own congressional district, which includes Montgomery, and parts of Howard and Anne Arundel Counties, there are more than 1,500 volunteer firemen and more than 300 paid firemen. I believe these figures clearly indicate the need for legislation which covers both the volunteer and paid firemen who may have to serve under more difficult circumstances in civil disorders—men who are dedicated to protecting the lives and property of our Nation's citizens.

Mr. Speaker, I join my colleague from the State of Maryland [Mr. LONG], who has also introduced this legislation, in urging prompt hearings on the measure.

LEGISLATIVE PROGRAM DURING THE LINCOLN BIRTHDAY OBSERVANCE

(Mr. GERALD R. FORD asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GERALD R. FORD. Mr. Speaker, I have asked for this time for the purpose of asking the distinguished majority leader, the gentleman from Oklahoma [Mr. ALBERT], a question.

As the distinguished majority leader knows, by tradition and practice, we have had over the Lincoln Birthday period a recess. Many Members on my side of the aisle have made inquiry of me with reference to such possible recess in 1968.

I would like to know, if the gentleman from Oklahoma can tell us, what the plans are for that period of the Lincoln Birthday observance. Our Members are anxious to know the plans and, therefore, I shall appreciate any information which the distinguished majority leader can give us at this time with reference to this question.

Mr. ALBERT. Mr. Speaker, will the distinguished minority leader yield to me at this point?

Mr. GERALD R. FORD. Of course I am glad to yield to the distinguished gentleman from Oklahoma.

Mr. ALBERT. Mr. Speaker, the distinguished minority leader has discussed this matter with me and we are undertaking to do what we always do and that is to recognize this period as one in which many Members, especially Republican Members, have a lot of home engagements.

Mr. Speaker, we do not plan to have a formal recess. However, it will be our plan to adjourn over from the close of business on Thursday before Lincoln's Birthday which I think is on Monday, until Monday, and have no legislative business on Monday.

It is also our plan, barring some unexpected contingency, to adjourn over from

Monday until Thursday, without legislative business, and then to adjourn from Thursday until the following Monday on which day, of course, we will have legislative business.

Mr. GERALD R. FORD. I thank the distinguished majority leader for that information.

Mr. McCORMACK. Mr. Speaker, will the distinguished minority leader yield to me?

Mr. GERALD R. FORD. Of course I am always delighted to yield to the distinguished Speaker of the House of Representatives.

Mr. McCORMACK. Mr. Speaker, I just wanted to make the observation that I hope my Republican friends during this period will try and undertake to show the people of the country, as well as convince the people of the country, that if Lincoln were alive today he would be a Republican.

Of course, all of us know that Lincoln was elected to the second term on the Union ticket. The "radical Republicans" as we know did not renominate him for reelection. The convention was held in Baltimore by the Union Party, a party to preserve the Union. As a result of that convention, Lincoln was nominated, and Johnson, a Democrat, was nominated for Vice President.

So the little, pleasant observation, I think, is very pertinent.

It is my further opinion, Mr. Speaker, that our Republican friends need a lot of time during which to try to convince the people of this country that if Lincoln were alive today he would still be a Republican, when as a matter of fact he would probably be a Democrat.

Mr. GERALD R. FORD. Mr. Speaker, I am always interested, and sometimes amused by the observations of our distinguished Speaker at this time of the year when many of our Democratic friends are trying to embrace Abraham Lincoln. However, they never seem to get the Lincoln philosophy incorporated into their actions and into their speeches. They like the name of Lincoln, but apparently they do not like his philosophy, while we on this side of the aisle from the very beginning have embraced both the philosophy and the spirit of Abraham Lincoln.

Mr. McCORMACK. Mr. Speaker, if the gentleman will yield further, that is a very curious statement since the record over the last 30-odd years on the part of the Republicans shows that the gentleman's statement is inconsistent with the various elections which have been held over that period of time.

CONSUMER CREDIT PROTECTION ACT

Mr. PATMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 11601) to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by au-

thorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from Texas.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 11601, with Mr. PRICE of Illinois in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday, the Clerk had read through section 1, ending on page 2, line 4, of the bill. If there are no amendments to be offered to this section, the Clerk will read.

The Clerk read as follows:

TITLE I—CREDIT TRANSACTIONS

SEC. 101. (a) The Federal Reserve Act is amended by striking the first section and inserting:

"TITLE I—THE FEDERAL RESERVE SYSTEM

"SECTION 1. This title may be cited as the Federal Reserve Act."

(b) Title I of the Federal Reserve Act is amended by changing "Act", wherever that word is used with reference to title I of the Federal Reserve Act (as so designated by subsection (a) of this section) to read "title".

(c) The Federal Reserve Act is amended by adding at the end:

"TITLE II—CREDIT TRANSACTIONS

"DECLARATION OF PURPOSE

SEC. 201. (a) The Congress finds that economic stabilization would be enhanced and that competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. Significant segments of the population are misled by the manner in which the terms and conditions of credit are offered and contracted for, as well as by advertising in or affecting commerce, which fail adequately to disclose the credit terms offered to buyers in making purchases, or obtaining loans, payable in installments or offered under open end credit plans. Such failure of adequate disclosure tends to increase the uninformed and untimely use of credit by the public, thereby adversely affecting economic stabilization, increasing inflationary pressures, and decreasing the stability of the value of our currency. The informed use of credit results from an awareness of the cost thereof by consumers. It is the purpose of this title to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit.

"(b) Congress further finds that the stabilization of consumer prices would be enhanced by the regulation of speculation in, and the excessive use of credit for, the creation, carrying or trading in commodity futures contracts, as well as the establishment of standby authority for the emergency control of consumer credit.

"DEFINITIONS

"SEC. 202. For the purposes of this title

"(a) 'Board' means the Board of Governors of the Federal Reserve System.

"(b) 'credit' means the right granted by a creditor to a person other than an organization to defer payment of debt or to incur debt and defer its payment, where the debt is contracted by the obligor primarily for personal, family, household, or agricultural purposes. The term does not include any contract in the form of a bailment or lease except to the extent specifically included within the term 'consumer credit sale'.

"(c) 'consumer credit sale' means a transaction in which credit is granted by a seller in connection with the sale of goods or services, if such seller regularly engages in credit transactions as a seller, and such goods or services are purchased primarily for a personal, family, household, or agricultural purpose. The term does not include any contract in the form of a bailment or lease unless than obligor contracts to pay as compensation for use a sum substantially equivalent to or in excess of the value of the goods or services involved, and unless it is agreed that the obligor is bound to become, or for no other or a merely nominal consideration has the option of becoming, the owner of the goods upon full compliance with the provisions of the contract.

"(d) 'finance charge' means the sum of all the charges imposed directly or indirectly by a creditor, and payable directly or indirectly by an obligor, as an incident to the extension of credit, including loan fees, service and carrying charges, discounts, interest, time price differentials, investigators' fees, costs of any guarantee or insurance protecting the creditor against the obligor's default or other credit loss, and any amount payable under a point, discount, or other system of additional charges, except that

"(1) if itemized and disclosed under section 203, the term 'finance charge' does not include amounts collected by a creditor, or included in the credit, for

"(A) fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to a credit transaction; or

"(B) taxes; and

"(2) where credit is secured in whole or in part by an interest in real property, the term does not include, in addition to the duly itemized and disclosed costs referred to in clauses (A) and (B) of paragraph (1), the costs of

"(A) title examination, title insurance, or corresponding procedures;

"(B) preparation of the deed, settlement statement, or other documents;

"(C) escrows for future payments of taxes and insurance;

"(D) notarizing the deed and other documents;

"(E) appraisal fees; or

"(F) credit reports.

"(e) 'creditor' means any individual, or any partnership, corporation, association, cooperative, or other entity, including the United States or any agency or instrumentality thereof, or any other government or political subdivision or agency or instrumentality thereof, if such individual or entity regularly engages in credit transactions, whether in connection with the sale of goods and services or otherwise, and extends credit for which the payment of a finance charge is required.

"(f) (1) 'annual percentage rate' means, for the purposes of sections 203(b) and 203(c), the nominal annual rate determined by the actuarial method (United States rule). For purposes of this calculation it may be assumed that:

"(A) The total time for repayment of the total amount to be financed is the time from the date of the transaction to the date of the final scheduled payment.

"(B) All payments are equal if every scheduled payment in the series of payments is equal except one which may not be more than double any other scheduled payment in the series.

"(C) All payments are scheduled at equal intervals, if all payments are so scheduled except the first payment which may be scheduled to be paid before, on, or after one period from the date of the transaction. A period of time equal to one-half or more of a payment period may be considered one full period.

"(2) The Board may prescribe methods other than the actuarial method, if the Board determines that the use of such other methods will materially simplify computation while retaining reasonable accuracy as compared with the rate determined under the actuarial method.

"(3) For the purposes of section 203(d), the term 'equivalent annual percentage rate' means the rate or rates computed by multiplying the rate or rates used to compute the finance charge for any period by the number of periods in a year.

"(4) Where a creditor imposes the same finance charge for all balances, within a specified range, the annual percentage rate or equivalent annual percentage rate shall be computed on the median balance within the range for the purposes of sections 203(b), 203(c), and 203(d).

"(g) 'open end credit plan' means a plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

"(h) 'organization' means a corporation, government or governmental subdivision or agency, business or other trust, estate, partnership, or association.

"(i) 'advertisement in interstate commerce or affecting interstate commerce' includes, but is not limited to,

"(1) the advertising of goods, services, loans, or open end credit plans through any means or instrumentality of interstate commerce; and

"(2) the advertising

"(A) of any goods which are made in whole or in part of any item which has been shipped and received in interstate commerce,

"(B) of any service which is to be performed using any item which was shipped and received in interstate commerce, or

"(C) of any loan or of any extension of credit under an open end credit plan which is to be made in whole or in part in interstate commerce.

"(j) 'State' means any State, the Commonwealth of Puerto Rico, or the District of Columbia.

"DISCLOSURE OF FINANCE CHARGES; ADVERTISING

"SEC. 203. (a) Each creditor shall furnish to each person to whom credit is extended and upon whom a finance charge is or may be imposed the information required by this section, in accordance with regulations prescribed by the Board.

"(b) This subsection applies to consumer credit sales other than sales under an open end credit plan. For each such sale the creditor shall disclose, to the extent applicable,

"(1) the cash price of the property or service purchased;

"(2) the sum of any amounts credited as downpayment (including any trade-in);

"(3) the difference between the amounts set forth in paragraphs (1) and (2);

"(4) all other charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge;

"(5) the total amount to be financed (the sum of the amounts disclosed under (3) and (4) above);

"(6) the amount of the finance charge (such charge, or a portion of such charge,

may be designated as a time-price differential or as a similar term to the extent applicable);

"(7) the finance charge expressed as an annual percentage rate;

"(8) the number, amount, and due dates or periods of payments scheduled to repay the indebtedness; and

"(9) the default, delinquency, or similar charges payable in the event of late payments.

Except as otherwise hereinafter provided, the disclosure required by this subsection shall be made before the credit is extended. Compliance may be attained by disclosing such information in the contract or other evidence of indebtedness to be signed by the obligor. Where a seller receives a purchase order by mail or telephone without personal solicitation by a representative of the seller and the cash price and deferred payment price and the terms of financing, including the annual percentage rate, are set forth in the seller's catalog or other printed material distributed to the public, the disclosure shall be made on or before the date the first payment is due.

"(c) This subsection applies to extensions of credit other than consumer credit sales or transactions under an open end credit plan. Any creditor making a loan or otherwise extending credit under this subsection shall disclose, to the extent applicable,

"(1) the amount of credit of which the obligor will have the actual use, or which is or will be paid to him or for his account or to another person on his behalf;

"(2) all charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge;

"(3) the total amount to be financed (the sum of items (1) and (2) above);

"(4) the amount of the finance charge;

"(5) the finance charge expressed as an annual percentage rate;

"(6) the number, amount, and due dates or periods of payments scheduled to repay the indebtedness; and

"(7) the default, delinquency, or similar charges payable in the event of late payments.

Except as otherwise hereinafter provided, the disclosure required by this subsection shall be made before the credit is extended. Compliance may be attained by disclosing such information in the note or other evidence of indebtedness to be signed by the obligor. Where a creditor receives a request for an extension of credit by mail or telephone without personal solicitation by a representative of the creditor and the terms of financing, including the annual percentage rate for representative amounts of credit, are set forth in the creditor's printed material distributed to the public, or in the contract of loan or other printed material delivered to the obligor, the disclosure shall be made on or before the date the first payment is due.

"(d) (1) This subsection applies to open end credit plans.

"(2) Before opening any account under an open end credit plan, the creditor shall, to the extent applicable, disclose to the person to whom credit is to be extended—

"(A) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;

"(B) the method of determining the balance upon which a finance charge will be imposed;

"(C) the method of determining the amount of the finance charge (including any minimum or fixed amount imposed as a finance charge), the annual percentage rate of the finance charge to be imposed, if any, and, in the case of an installment open end credit plan, the equivalent annual percentage rate; and

"(D) the conditions under which any other charges may be imposed, and the method by which they will be determined.

"(3) For each billing cycle at the end of which there is an outstanding balance under any such account, the creditor shall disclose, to the extent applicable,

"(A) the outstanding balance in the account at the beginning of the billing period;

"(B) the amount and date of each extension of credit during the period and, if a purchase was involved, a brief identification (unless previously furnished) of the goods or services purchased;

"(C) the total amount credited to the account during the period;

"(D) the amount of any finance charge added to the account during the period, itemized to show the amount, if any, due to the application of a percentage rate and the amount, if any, imposed as a minimum or fixed charge;

"(E) the finance charge expressed as an annual percentage rate;

"(F) the balance on which the finance charge was computed and a statement of how the balance was determined;

"(G) the outstanding balance in the account at the end of the period; and

"(H) the date by which, or the period (if any) within which, payment must be made to avoid additional finance charges.

"(4) If a creditor adds to this billing under an open end credit plan one or more installments of other indebtedness from the same obligor, the creditor is not required to disclose under this subsection any information which has been disclosed previously in compliance with subsection (b) or (c).

"(e) Written acknowledgment of receipt by a person to whom a statement is required to be given pursuant to this section shall be conclusive proof of the delivery thereof and, unless the violation is apparent on the face of the statement, of compliance with this section in any action or proceeding by or against an assignee of the original creditor without knowledge to the contrary by such assignee when he acquires the obligation. Such acknowledgment shall not affect the rights of the obligor in any action against the original creditor.

"(f) If there is more than one obligor, a creditor may furnish a statement of required information to only one of them. Required information need not be given in the sequence or order set forth in this section. Additional information or explanations may be included. So long as it conveys substantially the same meaning, a creditor may use language or terminology in any required statement different from that prescribed by this title.

"(g) If applicable State law requires disclosure of items of information substantially similar to those required by this title, then a creditor who complies with such State law may comply with this title by disclosing only the additional items of information required by this title.

"(h) If information disclosed in accordance with this section and any regulations prescribed by the Board is subsequently rendered inaccurate as the result of a prepayment, late payment, adjustment, or amendment of the credit agreement through mutual consent of the parties or as permitted by law, or as the result of any act or occurrence subsequent to the delivery of the required disclosures, the inaccuracy resulting therefrom shall not constitute a violation of this section.

"(1) (1) Prior to July 1, 1968, whenever an annual percentage rate is required to be disclosed by this section, the rate may be expressed either as a percentage rate per year, or as a dollars per hundred per year rate of the average unpaid balance.

"(2) After June 30, 1968, all rates required to be disclosed by this section shall be expressed as percentage rates.

"(j) No creditor, in order to aid, promote, or assist, directly or indirectly, any consumer credit sale, extension of credit, or open end credit plan, may state or otherwise represent in any advertisement in interstate commerce or affecting interstate commerce

"(1) that specific credit terms are available with the purchase of goods or services or the obtaining of a loan, unless the advertisement clearly and conspicuously sets forth

"(A) the cash sale price,

"(B) the number, amount, and period of each installment payment,

"(C) the downpayment, if any,

"(D) the time sale price, and

"(E) the finance charge, expressed as an annual percentage rate;

"(2) that a specified periodic credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payments or installments for that period and in that amount; or

"(3) that a specified downpayment is required, unless the creditor usually and customarily arranges downpayments in that amount.

"(k) No creditor, in order to aid, promote, or assist, directly or indirectly, the extension of credit under an open end credit plan, may state or otherwise represent in any advertisement in interstate commerce or affecting interstate commerce any of the specific terms of such plan unless the advertisement clearly and conspicuously sets forth

"(1) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;

"(2) the method of determining the balance upon which a finance charge will be imposed;

"(3) the method of determining the amount of the finance charge (including any minimum or fixed amount imposed as a finance charge), and the percentage rate per period and the annual percentage rate of the finance charge to be imposed; and

"(4) the conditions under which any other charges may be imposed, and the method by which they will be determined.

"(1) No creditor may demand or accept any finance charge in connection with any extension of credit to a natural person which exceeds

"(1) the maximum rate or amount permitted under the applicable State law, or

"(2) 18 per centum per annum,

whichever is less.

"(m) No creditor may demand or accept in connection with any extension of credit any note or other document authorizing the confession of judgment against the debtor.

"(n) The provisions of this section shall not apply to

"(1) credit transactions involving extensions of credit for business or commercial purposes, or to governments or governmental agencies or instrumentalities, or to organizations;

"(2) transactions in securities or commodities in accounts by a broker-dealer registered with the Securities and Exchange Commission; or

"(3) credit transactions, other than real property transactions, in which the total amount to be financed exceeds \$25,000.

"REGULATIONS

"SEC. 204. (a) The Board shall prescribe regulations to carry out section 203, including provisions

"(1) describing the methods which may be used in determining annual percentage rates under section 203, including, but not limited to, the use of any rules, charts, tables, or devices by creditors to convert to an annual percentage rate any add-on, discount, or other method of computing a finance charge;

"(2) prescribing procedures to insure that the information required to be disclosed under section 203 is set forth clearly and conspicuously; and

"(3) prescribing reasonable tolerances of accuracy with respect to disclosing information under section 203.

"(b) In prescribing regulations with respect to reasonable tolerances of accuracy as required by subsection (a)(3), the Board shall observe the following limitations:

"(1) The annual percentage rate may be rounded to the nearest quarter of 1 per centum for credit transactions payable in substantially equal installments when a creditor determines the total finance charge on the basis of a single add-on, discount, periodic, or other rate, and such rates are converted into an annual percentage rate under procedures prescribed by the Board.

"(2) The use of rate tables or charts may be authorized in cases where the total finance charge is determined in a manner other than that specified in paragraph (1). Such tables or charts may provide for the disclosure of annual percentage rates which vary up to 8 per centum of the rate as defined by section 202(f). However, any creditor who willfully and knowingly uses such tables or charts in such a manner so as to consistently understate the annual percentage rate, as defined by section 202(f), shall be liable for criminal penalties under section 206(b) of this title.

"(3) In the case of creditors determining the annual percentage rate in a manner other than as described in paragraph (1) or (2), the Board may authorize other reasonable tolerances.

"(4) In order to simplify compliance where irregular payments are involved, the Board may authorize tolerances greater than those specified in paragraph (2).

"(c) Any regulation prescribed under this section may contain such classifications and differentiations and may provide for such adjustments and exceptions for any class of transactions as in the judgment of the Board are necessary or proper to effectuate the purpose of section 203 or to prevent circumvention or evasion of, or to facilitate compliance by creditors with, section 203 or any regulation issued under this section. In prescribing exceptions, the Board may consider, among other things, whether any class of transactions is subject to any State law or regulation which requires disclosures substantially similar to those required by section 203.

"(d) In the exercise of its powers under this title, the Board may request the views of other Federal agencies which in its judgment exercise regulatory functions with respect to any class of creditors, and such agencies shall furnish such views upon request of the Board.

"(e) The Board shall establish an advisory committee, to advise and conduct with it in the exercise of its functions with respect to section 203 and this section. In appointing the members of the committee, the Board shall seek to achieve a fair representation of the interests of sellers of merchandise on credit, lenders, and the public. The committee shall meet from time to time at the call of the Board, and members thereof shall be paid transportation expenses and not to exceed \$100 per diem.

"EFFECT ON STATE LAWS

"SEC. 205. (a) This title shall not be construed to annul, alter or affect, or to exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that such laws are inconsistent with the provisions of this title, or regulations issued thereunder, and then only to the extent of the inconsistency. This title shall not otherwise be construed to annul, alter or affect in any manner the meaning, scope or applicability of the laws of any State, including, but not limited to, laws relating to the types, amounts or rates of

charges, or any element or elements of charges, permissible under such laws in connection with the extension or use of credit, nor to extend the applicability of such laws to any class of persons or transactions to which such laws would not otherwise apply, nor shall the disclosure of the annual percentage rate in connection with any consumer credit sale as required by this title be evidence in any action or proceeding that such sale was a loan or any transaction other than a credit sale.

"(b) The Board shall by regulation exempt from the requirements of section 203 any class of credit transactions which it determines are subject to State law or regulation substantially similar to the requirements under that section, with adequate provision for enforcement.

"(c) Except as specified in section 206, section 203 and the regulations issued thereunder do not affect the validity or enforceability of any contract or obligation under State or Federal law.

"CIVIL AND CRIMINAL PENALTIES

"SEC. 206. (a) (1) Any creditor who, in connection with any credit transaction, knowingly fails in violation of section 203, or any regulation issued thereunder, to disclose any information to any person to whom such information is required to be given shall be liable to such person in the amount of \$100, or in any amount equal to twice the finance charge required by such creditor in connection with such transaction, whichever is the greater, except that such liability shall not exceed \$1,000 on any credit transaction.

"(2) In any action brought under this subsection in which it is shown that the creditor disclosed a percentage rate or amount less than that required to be disclosed by section 203 or regulations prescribed by the Board (after taking into account permissible tolerances), or failed to disclose information so required, there shall be a rebuttable presumption that such violation was made knowingly. The presumption is rebutted if the creditor shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error. A creditor has no liability under this subsection if within fifteen days after discovering the error, and prior to the institution of an action hereunder or the receipt of written notice of the error, the creditor notifies the person concerned of the error and makes whatever adjustments in the appropriate account as are necessary to insure that the person will not be required to pay a finance charge in excess of the amount or percentage rate so disclosed.

"(3) Any action under this subsection may be brought in any United States district court, or in any other court of competent jurisdiction, within one year from the date of the occurrence of the violation. In any such action in which a person is entitled to recover a penalty as prescribed in paragraph (1), the defendant is also liable for reasonable attorney's fees and court costs as determined by the court.

"(b) Any person who knowingly and willfully gives false or inaccurate information or fails to provide information required to be disclosed under the provisions of this title or any regulation issued thereunder, or who otherwise knowingly and willfully violates any provision of this title or any regulation issued thereunder, shall be fined not more than \$5,000 or imprisoned not more than one year, or both. The Attorney General shall enforce this subsection.

"(c) No punishment or penalty provided for a violation of section 203 or any regulation issued under section 204 applies to the United States, or any agency thereof, or to any State, any political subdivision

thereof, or any agency of any State or political subdivision.

"(d) No person is subject to punishment or penalty under this section solely as the result of the disclosure of a finance charge or percentage which is greater than the amount of such charge or percentage required to be disclosed by such person under section 203, or regulations prescribed by the Board.

"REGULATION OF CREDIT FOR COMMODITY FUTURES TRADING

"SEC. 207. For the purpose of preventing the excessive speculation in and the excessive use of credit for the creation, carrying, or trading in commodity futures contracts having the effect of inflating consumer prices, the Board of Governors of the Federal Reserve System shall prescribe regulations governing the amount of credit that may be extended or maintained on any such contract. The regulations may define the terms used in this section, may exempt such transactions as the Board may deem unnecessary to regulate in order to carry out the purpose of this section, and may make such differentiations among commodities, transactions, borrowers, lenders, as the Board may deem appropriate.

"EMERGENCY CONTROL OF CONSUMER CREDIT

"SEC. 208. (a) Whenever the President determines that a national emergency exists which necessitates such action, the Board shall issue regulations, which may include definitions of terms used in this section, to control, to such extent as the Board determines appropriate,

"(1) the extension of consumer credit, by means of any prohibitions, restrictions, or requirements relating to

"(A) the amounts in which and the purposes for which credit may be extended to any person,

"(B) the maximum maturity or other requirements as to the repayment or liquidation of any extension of consumer credit,

"(C) where consumer credit is used for the purchase of identifiable property, maximum loan-to-value ratios,

"(D) the terms of any arrangement for the lease or rental of personal property, and

"(E) such other elements in any extension of credit as may, in his judgment, require regulation in order to carry out the purposes of this title.

"(2) the extension of credit to finance directly or indirectly the extension of consumer credit. Controls imposed pursuant to this paragraph may be related to the borrower's financial history, or to the lender's other loans and investments, or to such other factors as the Board may deem appropriate.

"(3) in the case of any lender engaged both in the extension of consumer credit and in other types of financing, the proportion of such lender's assets which may be devoted to the extension of any type of consumer credit.

This section does not apply to extensions of credit to finance the acquisition of real property.

"ADMINISTRATIVE ENFORCEMENT

"SEC. 209. (a) Whenever the Board has reason to believe that any person has engaged, is engaged, or is about to engage in a violation of this title, and it appears to the Board that a proceeding by it in respect thereof would be in the public interest, it shall serve upon that person a complaint stating its charges and containing a notice of a hearing upon a day and at a place therein fixed at least thirty days after the service of the complaint. The person so complained of shall have the right to appear in opposition to the charges set forth in the complaint. The Board may upon good cause shown allow any person to intervene by counsel or in person in such a proceeding. The testimony in any such proceeding shall be reduced to writing and filed in the office of the Board. If upon the hearing

the Board is of the opinion that the person charged in the complaint has violated, is violating, or is about to violate this title, the Board shall state its findings of fact in writing and shall issue and serve an order requiring the person not to engage in the violation. Until the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time, or, if a petition for review has been filed within such time then until the record in the proceeding has been filed in a court of appeals of the United States, as hereinafter provided, the Board may at any time, upon such notice and in such manner as it shall deem proper, modify or set aside, in whole or in part, any report or any order made or issued by it under this section. After the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time, the Board may at any time, after notice and opportunity for hearing, reopen and alter, modify, or set aside, in whole or in part, any report or order made or issued by it under this section, whenever in the opinion of the Board conditions of fact or of law have so changed as to require such action or if the public interest shall so require. The person subject to the order may, within sixty days after service of the report or order entered after such a reopening, obtain a review thereof in the appropriate court of appeals of the United States, in the manner provided in subsection (b) of this section.

"(b) REVIEW OF ORDER; REHEARING. Any person required by an order of the Board not to engage in a violation of this title may obtain a review of such order in the court of appeals of the United States, within any circuit where the act or practice in question was used or where such person resides or carries on business, by filing in the court, within sixty days from the date of the service of such order, a written petition praying that the order of the Board be set aside. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Board, and thereupon the Board shall file in the court the record in the proceeding, as provided in section 2112 of title 28. Upon such filing of the petition the court shall have jurisdiction of the proceeding and of the question determined therein concurrently with the Board until the filing of the record and shall have power to make and enter a decree affirming, modifying, or setting aside the order of the Board, and enforcing the same to the extent that such order is affirmed and to issue such writs as are ancillary to its jurisdiction or are necessary in its judgment to prevent injury to the public or to competitors pendente lite. The findings of the Board as to the facts, if supported by evidence, shall be conclusive. To the extent that the order of the Board is affirmed, the court shall thereupon issue its own order commanding obedience to the terms of such order of the Board. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for the failure to adduce such evidence in the proceeding before the Board, the court may order such additional evidence to be taken before the Board and to be adduced upon the hearing in such manner and upon such terms and conditions as to the court may seem proper. The Board may modify its findings as to the facts, or make new findings, by reason of the additional evidence so taken, and it shall file such modified or new findings, which, if supported by evidence, shall be conclusive, and its recommendations, if any, for the modification or setting aside of its original order, with the return of such additional evidence. The judgment and decree of the court shall be final, except that the same shall be subject to review by the Supreme Court upon certiorari, as provided in section 347 of title 28 of the United States Code.

"(c) JURISDICTION OF COURT. Upon the filing of the record with it the jurisdiction of the court of appeals of the United States to affirm, enforce, modify, or set aside orders of the Board shall be exclusive.

"(d) SERVICE OF COMPLAINTS, ORDERS, AND OTHER PROCESSES; RETURN. Complaints, orders, and other processes of the Board under this section may be served by anyone duly authorized by the Board, either (1) by delivering a copy thereof to the person to be served, or to a member of the partnership to be served, or the president, secretary, or other executive officer or a director of the corporation to be served; or (2) by leaving a copy thereof at the residence or the principal office or place of business of such person; or (3) by mailing a copy thereof by registered mail or by certified mail addressed to such person at his or its residence or principal office or place of business. The verified return by the person so serving said complaint, order, or other process setting forth the manner of said service shall be proof of the same, and the return post office receipt for said complaint, order, or other process mailed by registered mail or by certified mail as aforesaid shall be proof of the service of the same.

"(e) FINALITY OF ORDER. An order of the Board to cease and desist shall become final

"(1) upon the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time; but the Board may thereafter modify or set aside its order to the extent provided in the last sentence of subsection (a); or

"(2) upon the expiration of the time allowed for filing a petition for certiorari, if the order of the Board has been affirmed, or the petition for review dismissed by the court of appeals, and no petition for certiorari has been duly filed; or

"(3) upon the denial of a petition for certiorari, if the order of the Board has been affirmed or the petition for review dismissed by the court of appeals; or

"(4) upon the expiration of thirty days from the date of issuance of the mandate of the Supreme Court, if such Court directs that the order of the Board be affirmed or the petition for review dismissed.

"(f) SAME; ORDER MODIFIED OR SET ASIDE BY SUPREME COURT. If the Supreme Court directs that the order of the Board be modified or set aside, the order of the Board rendered in accordance with the mandate of the Supreme Court shall become final upon the expiration of thirty days from time it was rendered, unless within such thirty days either party has instituted proceedings to have such order corrected to accord with the mandate, in which event the order of the Board shall become final when so corrected.

"(g) SAME; ORDER MODIFIED OR SET ASIDE BY COURT OF APPEALS. If the order of the Board is modified or set aside by the court of appeals, and if (1) the time allowed for filing a petition for certiorari has expired and no such petition has been duly filed, or (2) the petition for certiorari has been denied, or (3) the decision of the court has been affirmed by the Supreme Court, then the order of the Board rendered in accordance with the mandate of the court of appeals shall become final on the expiration of thirty days from the time such order of the Board was rendered, unless within such thirty days either party has instituted proceedings to have such order corrected so that it will accord with the mandate, in which event the order of the Board shall become final when so corrected.

"(h) SAME; REHEARING UPON ORDER OR REMAND.—If the Supreme Court orders a rehearing; or if the case is remanded by the court of appeals to the Board for a rehearing, and if (1) the time allowed for filing a petition for certiorari has expired, and no such petition has been duly filed, or (2) the petition for certiorari has been denied, or (3) the decision of the court has been affirmed by the Supreme Court, then the order of the Board rendered upon such rehearing

shall become final in the same manner as though no prior order of the Board had been rendered.

"(j) DEFINITION OF MANDATE.—As used in this section the term 'mandate', in case a mandate has been recalled prior to the expiration of thirty days from the date of issuance thereof; means the final mandate.

"(k) PENALTY FOR VIOLATION OF ORDER.—Any person who violates an order of the Board to cease and desist after it has become final, and while such order is in effect, shall forfeit and pay to the United States a civil penalty of not more than \$5,000 for each violation, which shall accrue to the United States and may be recovered in a civil action brought by the United States. Each separate violation of such an order shall be a separate offense, except that in the case of a violation through continuing failure or neglect to obey a final order of the Board each day of continuance of such failure or neglect shall be deemed a separate offense.

"REPORTS

"SEC. 210. Not later than January 3 of each year commencing after the effective date of this title, the Board of Governors of the Federal Reserve System and the Attorney General shall, respectively, make reports to the Congress concerning the administration of their functions under this title, including such recommendations as the Board and the Attorney General, respectively, deem necessary or appropriate. In addition, reports of the Board of Governors of the Federal Reserve System shall include the Board's assessment of the extent to which compliance with the provisions of this title, and regulations prescribed thereunder, is being achieved.

"EFFECTIVE DATE

"SEC. 211. The provisions of this title shall take effect July 1, 1968."

Mr. PATMAN (during the reading). Mr. Chairman, I would like to make a unanimous-consent request. After conferring with the minority side, and the gentleman from New Jersey [Mr. WINNALL], in particular, I ask unanimous consent that section 101 be considered as read and printed in the RECORD at this point, and that the committee amendments first be considered and then any amendments to any part of that section may be considered.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

COMMITTEE AMENDMENTS

The CHAIRMAN. The Clerk will report the committee amendments.

The Clerk read as follows:

On page 2, line 7, strike "section" and insert "sentence".

Mrs. SULLIVAN. Mr. Chairman, I rise in support of the first committee amendment.

(Mrs. SULLIVAN asked and was given permission to revise and extend her remarks.)

Mrs. SULLIVAN. Mr. Chairman, it is, of course, merely a minor typographical correction, but while the Members are here on the floor I wanted to take this time to explain the sequence of issues on which there will be votes this afternoon.

There is no way any one of us managing this bill can assure a Member when any particular vote will occur. There are 35 committee amendments, and at least 20 of them are important. Then there will undoubtedly be additional amendments offered from the floor after the committee amendments are all disposed of. So we have a long afternoon ahead of

us, and it should be a lively one, and well worth the Members' time on the floor.

There is nothing they could do in their offices this afternoon which would be nearly as important to as many of the constituents and businessmen in their districts as this first major bill to come before the House this session, one which will directly affect every citizen in many ways for years to come.

I hope we will not have to beat the bushes and the corridors, or ring the bells to get the Members here.

There is a lot to understand about the bread-and-butter, meat-and-potatoes, and keep-your-head-above-water family financial problems involved in this legislation. We will undoubtedly have rollcall votes later on some of these issues, and it would be worth while, I am sure, for the Members to know the extent of the impact of these votes on their consumers.

Consumer issues are funny in the sense that people will often get more excited over a 79-cent department store service charge, or the "points" on a mortgage, than over the most serious problems of health and safety. So nothing about this bill is really unimportant so far as the voters are going to be concerned, and some of the issues involved in it are as politically explosive as you can hope to find, so it is good to know what you are voting on.

I want to say there are no traps in this bill, no hidden gimmicks, no parliamentary sleight of hand, but some of the things are a little technical. From the dozens and scores of telephone calls the staff has been receiving from Members' offices about even minor details of the bill, it is obvious that we have a hot subject here, and one which has attracted the attention of the public and the attention of all the businessmen who grant credit to consumers.

I beg the Members to stay on the floor this afternoon and work with us.

Mr. LENNON. Mr. Chairman, will the gentlewoman yield for a question.

Mrs. SULLIVAN. I am happy to yield to the gentleman.

Mr. LENNON. Do I understand that the effective date of the Senate bill is July 1, 1969? I refer to the bill passed by the other body by a vote of 90 to 2.

Mrs. SULLIVAN. That is right; the effective date there is July 1, 1969. We have made our bill's truth-in-lending section effective as of 9 months from the date of enactment.

Mr. LENNON. But is it the intention of the floor managers of this legislation to amend the House bill so that it will coincide with the effective date of the Senate bill? I ask the gentlewoman this question because so many of the State legislatures will not be in session this year, and their laws would have to be amended accordingly to meet the criteria and the rules provided for in this Federal act.

What does the gentlewoman consider to be the likelihood of that action on the part of the House?

Mrs. SULLIVAN. We did consider that very carefully in committee while the bill was in committee. We have a committee amendment that will give 9 months from the date of enactment.

The committee amendment that we have adopted will provide 9 months after the final enactment of this bill for the regulations to be issued and the requirements set.

Mr. LENNON. Some of us interested in this bill would like to see the effective date July 1, 1969, in order to meet the situation I have described.

Mrs. SULLIVAN. We will have the 9 months provision.

As we get on a little further in the consideration of the bill when the matter of this effective date comes up, it will be thoroughly explained.

Mr. LENNON. I thank the gentlewoman.

Mr. PATMAN. Mr. Chairman, will the gentlewoman yield?

Mrs. SULLIVAN. I am happy to yield to my colleague.

Mr. PATMAN. The question about the legislatures meeting is not involved, and that will not be necessary because this bill does not deal with usury, it deals with finance charges.

Therefore, I think the point that the legislatures will not be meeting is not particularly important at this point.

Mrs. SULLIVAN. I thank the distinguished chairman, the gentleman from Texas for his explanation. There is nothing in this bill to require the States to take any action. I think what the gentleman from North Carolina refers to is an opportunity provided to the States to take advantage of a provision of the bill which permits the States to take jurisdiction over credit disclosure if their State laws are at least as effective as the Federal law.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that the committee amendments, beginning on page 2, after line 8, through page 9, line 13, be considered en bloc.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read as follows:

Page 2, after line 8, insert the following:

"SECTION 1. SHORT TITLE AND DEFINITIONS"

Page 2, line 10, strike "SECTION 1."

Page 2, line 20, strike "(a)".

Page 3, line 2, strike "Significant" and all that follows down through "currency." in line 12.

Page 3, strikes lines 18 through 23.

Page 5, line 1, after "all the", insert mandatory".

Page 5, line 17, after "transaction" insert ", or the premium, not in excess of those fees and charges, payable for any insurance in lieu of perfecting the security."

Page 6, line 20, strike "203(b) and 203(c)," and insert "203(b), 203(c), and 203(d)."

Page 6, line 22, strike "For purposes" and all that follows down through line 12 on page 7.

Page 8, after line 10, insert the following:

"(h) 'installment open end credit plan' means an open end credit plan which has one or more of the following characteristics: (1) creates a security interest in, or provides for a lien on, or retention of title to, any property (whether real or personal, tangible or intangible), (2) provides for a repayment schedule pursuant to which less than 60

per centum of the unpaid balance at any time outstanding under the plan is required to be paid within twelve months, or (3) provides that amounts in excess of required payments under the repayment schedule are applied to future payments in the order of their respective due dates."

Page 8, line 21, strike "h" and insert "i".

Page 8, strike line 24 and all that follows down through line 13 on page 9.

The committee amendments were agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

Mr. PATMAN. Mr. Chairman, since this amendment on page 10 is directly related to the amendment on page 12, line 2, I ask unanimous consent that those two amendments be considered en bloc.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The CHAIRMAN. The Clerk will report the committee amendments.

The Clerk read as follows:

Page 10, line 17, after "percentage rate", insert the following " , unless the finance charge does not exceed \$10, and in ascertaining the applicability of this paragraph, a creditor may not divide a consumer credit sale into two or more sales to avoid the disclosure of an annual percentage rate pursuant to this paragraph."

Page 12; line 2, after "rate", insert the following: " , unless the finance charge does not exceed \$10, and in ascertaining the applicability of this paragraph, a creditor may not divide an extension of credit into two or more transactions to avoid the disclosure of an annual percentage rate pursuant to this paragraph."

Mrs. SULLIVAN. Mr. Chairman, I rise in opposition to the amendments.

The CHAIRMAN. The gentlewoman from Missouri is recognized for 5 minutes.

Mr. PATMAN. Mr. Chairman, will the gentlewoman yield?

Mrs. SULLIVAN. I am happy to yield to the gentleman from Texas.

Mr. PATMAN. Mr. Chairman, I make the point of order that a quorum is not present, since the vote on the amendments will be one of the most important votes we will have.

The CHAIRMAN. The Chair will count. [After counting.] Fifty-five Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 10]

Andrews,	Green, Pa.	Resnick
N. Dak.	Halleck	Rivers
Cederberg	Hansen, Wash.	Robison
Clark	Ichord	Rosenthal
Clausen,	Kupferman	St. Onge
Don H.	Long, Md.	Shriver
Clawson, Del	McClory	Smith, Iowa
Cleveland	McCloskey	Springer
Corbett	McFall	Stafford
Corman	Mailliard	Stuckey
Cramer	Miller, Calif.	Taft
Davis, Wis.	Mills	Talcott
Diggs	Mink	Teague, Calif.
Dingell	Monagan	Thompson, Ga.
Erlenborn	Moore	Tunney
Evins, Tenn.	Moss	Whalen
Fountain	Passman	Whitten
Glaime	Pelly	

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the

State of the Union, reported that that Committee, having had under consideration the bill H.R. 11601, and finding itself without a quorum, he had directed the roll to be called, when 379 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The gentlewoman from Missouri [Mrs. SULLIVAN] is recognized for 5 minutes.

Mrs. SULLIVAN. Mr. Chairman, I ask unanimous consent to proceed for an extra 5 minutes so that I can explain the amendment.

The CHAIRMAN. Is there objection to the request of the gentlewoman from Missouri?

There was no objection.

Mrs. SULLIVAN. Mr. Chairman, this amendment, which was adopted in committee, seems to confuse many of the Members.

The \$10 exemption does not apply merely to a \$10 purchase or a \$10 loan. It means exempting from rate disclosure any credit transaction of whatever size or amount if the service charge involved is \$10 or less. So this would cover most credit transactions up to about \$110.

Mr. Chairman, this is one of the big ones—it is one of the two most important committee loophole amendments in the bill. The other big controversy, of course, has to do with the committee amendment extending exemption from annual rate disclosure for revolving credit.

In many ways this amendment now before us is far more important to the low-income consumer than anything else contained in this bill.

It hits him where he lives—in most of his credit transactions.

It hits him when he buys a toaster, or a washing machine, or dryer, or a radio, or a small television set, or a kitchenette set, or some chairs or a sofa—items costing up to \$110. It hits him when he borrows up to \$110. It hits him when he charges, let us say, \$100 worth of work done on his car, or buys a set of tires on credit, or for any other item up to about \$110 which he buys on credit.

Under the truth-in-lending title of H.R. 11601, we require the seller or the lender in all consumer credit transactions to tell the customer how much the credit charge will be, including the various fees incident to the credit. But on these \$100 items, this amendment says you do not have to disclose the rate at which the charge is assessed. That raises the question: How does this conform to the statement of purpose of the truth-in-lending title of the bill, which is as follows:

It is the purpose of this title to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit.

That is almost the same as the declaration of purpose in the Senate bill, also.

Now, how does a person compare credit terms in an "informed manner" without knowing the percentage rate that he is being charged? Suppose he knows that he can borrow at his credit union for 12 percent simple annual interest, with no fees and no side payments.

But suppose he goes to a loan company instead to ask about a \$100 loan and is told it is \$10 for the credit for 3 months? That is only 10 percent—compared to 12 percent at the credit union—or is it?

Remember that 3 months is one-quarter of a year—so the annual rate is 4 times 10 percent, and amounts to 40 percent, compared to 12 percent at the credit union.

But would a poorly educated person know that?

This amendment, which was adopted in the committee by a narrow margin seeks to make sure that the borrower does not find out what rate he is actually paying for credit.

A 40-percent rate or charge is low compared to many of the percentage rates which are often charged on transactions of this kind; that is, on loans up to \$110, or credit sales for that amount.

These rates run into percentages in the hundreds, but they sound low and inviting to the poor fellow who thinks that \$10 for a short-term loan of \$100 amounts to only 10 percent.

We have got to help people to learn how to compare credit rates and percentages to get them out of the clutches of the loan sharks and into the legitimate business channels where they can borrow or buy on much, much better terms if they only know how to shop for credit and compare the rates. We call this the loan-shark amendment—we who are fighting it. It is a bitterly destructive wedge driven into this legislation. This is not a small business amendment as claimed; legitimate small business does not charge 500 percent on credit transactions. It is the fringe credit gyp and the slum district loan shark and the racketeering elements in the extortion rackets that charge astronomical rates to their victims. And yet the dollar charge may be only \$5 or \$10 for a \$10 loan until pay day, or for a \$25 loan until next week. The loan sharks turn these loans over week after week, month after month, always at a dollar charge of \$5 or \$10, but at cumulative interest charges which reach for the moon.

The minority leader and some of our colleagues on the other side talk about outlawing loan sharking. Then, let us not hand the loan shark the privileged sanctuary that this amendment adopted in the committee would give him.

I do not mind admitting that the banks and merchants which have joined me in opposing the revolving credit exemption would just love to see this \$10 exemption kept in the bill. They would be able to hide the rate of credit charge on the transactions in which they charge their highest rates of all. The 36-percent annual interest rate on a small loan of up to \$100 for 3 months would not have to be revealed, not even the monthly rate of 3 percent. How can we talk about fighting loan sharking while at the same time encouraging and promoting it, as this committee amendment would do?

This is the real chance of the minority to strike a blow against crime, and against loan sharking in particular.

Mr. PATMAN. Mr. Chairman, will the gentlewoman yield?

Mrs. SULLIVAN. I am happy to yield to the Chairman, the gentleman from Texas.

Mr. PATMAN. I assume from what the gentlewoman from Missouri [Mrs. SULLIVAN] is saying, that you want us as Members to vote against this proposal. The proposal consists of 2 amendments in the bill appearing on page 10 from line 17 to line 21, and on page 12, from line 2 to line 6, which are being considered at the one time under the unanimous-consent agreement. You want a "no" vote on that?

Mrs. SULLIVAN. That is correct, Mr. Chairman. I want the Members to join us in going down the line to kill this amendment. Help us to kill it right here in the Committee of the Whole House, and there will be no rollcall on it. We would be serving no business special interest, or no hoodlum criminal loan shark, by such a vote. But we would be serving our low-income constituents, and our consciences as well. There is no interest lined up against this amendment except the public interest—and human decency. A "no" vote on this amendment should assure the Members a good night's untroubled sleep. Please, I implore the Members, please vote your heart on this one, and vote "no."

Mr. WIDNALL. Mr. Chairman, I have no objection to what has been proposed by the gentlewoman from Missouri [Mrs. SULLIVAN]. I have no intention to fight what she has stated in that connection. I personally am going to vote "no."

(Mr. HALPERN asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. HALPERN. Mr. Chairman, I rise to express my opposition to the amendment to exempt transactions with a credit charge of \$10 or less from required disclosure of the credit cost as an annual rate. Although there may appear to be valid reasons for adopting this exemption, I believe that it would do the greatest harm to those consumers who are most in need of the aid that this legislation was designed to provide.

First, it should be made clear that the "\$10" figure refers not to the cost of the item purchased, but to the cost of the credit involved in the purchase. Thus, exempting transactions with finance charges not exceeding \$10 means exempting purchases which might cost \$100 or more. We are considering, therefore, purchases or loans of major importance to a low-income family.

It is argued that these \$10 credit-charge transactions should be exempted from annual rate disclosure because of the difficulties which might arise for small merchants in calculating an annual rate. The logic of this argument seems somewhat less than forceful, however; the exemption was not based on the size of the business, but on that of the transaction. The small furniture or jewelry merchant would have to make this annual rate calculation whereas the owner of a small clothing store would not.

Furthermore, various witnesses submitted exhibits to demonstrate that the difficulty of this calculation has been overestimated. The small store is unlikely to offer a series of highly complicated credit arrangements. Computation of an annual rate for a straightforward credit transaction can easily be accomplished with the aid of various tables or charts

available from Government agencies or banks.

Whereas the merchant would not be greatly inconvenienced by having to provide this annual rate, the consumer might suffer a significant loss by virtue of the lack of this information. A \$10 credit charge results from a purchase of a much higher value. Exempting these transactions would mean that the low-income consumer would be deprived of the knowledge of the annual rate he is paying for credit on the majority of his purchases.

It has also been suggested that requirement of annual rate disclosure on so-called small transactions might deprive the consumer of certain types of short-term, small-loan bank credit. A bank which offers a \$100 loan for 1 week with a credit charge of \$5 might be reluctant to disclose that the credit cost on an annual basis is 260 percent; the bank might prefer not to offer these loans.

However, if such charges are indeed justified on the basis of bookkeeping costs, then all banks and finance companies will be forced to charge similar rates in order to cover their operating costs. Thus, no one credit source will suffer a competitive disadvantage from this disclosure. If, on the other hand, these high charges are not justified, and if these small, short-term loans are available more cheaply at some other source, does the consumer not have a right to know? Furthermore, should consumers not become educated about the cost of these short-term emergency loans and the benefits of better financial management?

Mr. Chairman, I believe that adoption of this amendment would withhold some of the most essential information from that group of consumers most in need of the clearest possible picture of the cost of its credit transactions. I strongly urge an overwhelming "no" vote on this amendment.

Mr. HANNA. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentleman from California is recognized for 5 minutes.

Mr. HANNA. Mr. Chairman, I believe, inasmuch as I am in the same position as the gentleman from New Jersey [Mr. WIDNALL], I am not going to oppose the motion of the gentleman from Missouri on this particular issue. But I think it would be unfair to the Members not to explain how this provision got into the measure reported from the committee.

The language about which we are speaking is precisely the language inserted in the bill by the Senate. The argument in the Senate indicates that the provision was placed in on the presentation that without what they called the small businessman's exemption, there would be a material diminution in the offering of credit to people in low-income brackets who really need the credit, and if you put these merchants under the requirement of making all the reports as set forth in this bill and encompassing small transactions, the cost of doing so would probably place them in a position of not even being able to offer merchandise in the credit field to the people who might be seeking it.

That is the background in the Senate, which put this into the bill. As I say, I am not going to object to its being taken out, because it is up to the Senate to defend that position. No one presented a strong case for this in the committee.

Mr. CONYERS. Mr. Chairman, will the gentleman yield?

Mr. HANNA. I yield to the gentleman from Michigan.

Mr. CONYERS. Mr. Chairman, is the gentleman saying that there will be fewer poor people that will be able to pay these high rates of interest if this amendment is deleted?

Mr. HANNA. No. I am just giving the Senate position, as I understand it. I am explaining how this was put in the bill in the first instance. I am not defending it. I am merely explaining it. The Senators on the floor stated in their argument that they felt there would be less merchandise offered to poor people—not less poor people to buy, but less merchandise offered.

Mr. CONYERS. What about the interest rates?

Mr. HANNA. Mr. Chairman, I am not arguing the point. I am merely setting forth what the amendment was, and I am setting it forth so the House understands why it is here. I am not defending it.

If the gentleman wishes to attack it, he may do so by asking for time.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. HANNA. Yes; I yield to my chairman.

Mr. PATMAN. Is it not a fact that, although we strike it, this is the Senate language, and it will be in the conference anyway?

Mr. HANNA. Yes.

Mr. MOORHEAD. Mr. Chairman, will the gentleman yield?

Mr. HANNA. I yield to the gentleman from Pennsylvania.

(Mr. MOORHEAD asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. MOORHEAD. Mr. Chairman, I oppose the committee amendment exempting finance charges of \$10 or less from the annual rate disclosure provisions of the bill before us.

This "loan shark" loophole lays a blanket of concealment over the percentage costs of a huge number of consumer credit transactions, including deferred payment sales and loans up to about \$110.

This amendment permits the suppression, rather than forces the disclosure, of the most important information a consumer requires in order to use credit intelligently in most of his day-to-day transactions.

The annual rate disclosure provisions, as the bill is now written, apply only to the largest credit transactions the average family may make—the purchase of a home, or an automobile, or a costly appliance on which the payoff period runs beyond 19 months, or a substantial loan.

The committee amendment exempts a vast proportion of smaller consumer credit transactions, leaving out of the bill the majority of instances in which most consumers use credit.

Advocates of this amendment argue that it is intended to preserve the availability of small short-term credit for consumers who find themselves in need of such "accommodation" loans, and to relieve small merchants of calculating the annual interest rate on relatively small credit transactions.

Mr. Chairman, I submit that the committee amendment conceals the truth about the cost of "accommodation" loans and small credit transactions from the consumers who most need to know the truth.

If this amendment is allowed to stand, lower income families will continue to spend most of their credit dollars without having an opportunity to learn how to use those dollars wisely.

Advocates of the amendment argue that requiring legitimate lenders to state the \$10 cost of a \$100 1-month "accommodation" loan as an annual rate of 120 percent will cause reputable lenders to stop offering this kind of credit and drive borrowers to loan sharks.

But, Mr. Chairman, I submit that the amendment will throw the protective arm of the law around the very loan sharks its backers claim it will keep the consumer away from.

People who are desperately in need of loans will pay at whatever rate they are asked to pay. The committee amendment will shield from annual disclosure not only banks and other reputable lenders, but predatory loan sharks who might charge \$10 for a 1-week loan of \$100 and constantly refinance it to avoid telling the borrower about anything but its weekly cost.

Far from drying up legitimate sources of "accommodation" loans, across-the-board annual rate disclosure will enhance the short-term credit competitiveness of banks and other legal lenders and put the loan sharks out of business.

For no matter how desperate a borrower is, he will find his bank's rate of 120 percent a year on the \$10 charge for a 1-month loan of \$100 dirt cheap if the local loan shark is required to state that his \$10 weekly charge for the same loan amounts to 520 percent a year.

As for the argument that the amendment will relieve small merchants of the burden of calculating the annual interest rate on their occasional small credit sales, I submit that without this amendment, the Federal Reserve Board, through its regulations, can exempt very small businesses from the annual rate disclosure requirements while safeguarding the consumer from the abuses this amendment invites on the part of larger businesses.

I urge my colleagues to vote against the committee amendment. A vote against the \$10 loophole is a vote against the loan sharks and credit gyms who now prosper handsomely by exploiting and gouging the ignorant and the very poor. A vote against this amendment will bring truth in lending to those who need it most.

Mr. BINGHAM. Mr. Chairman, will the gentleman yield?

Mr. HANNA. I yield to the gentleman from New York.

(Mr. BINGHAM asked and was given permission to revise and extend his remarks.)

Mr. BINGHAM. Mr. Chairman, I rise in favor of Mrs. SULLIVAN's position in opposition to the \$10 financing charge exemption from the truth-in-lending bill. Throughout long subcommittee and committee debates, I shared the views of those who not only argued that there was no need for the exemption but that it was subject to serious abuse. I felt strongly that the exemption would have hurt those most seriously in need of the protection of this bill. By excluding relatively small purchases of up to \$100 or \$110—such as clothing, appliances, and jewelry—we leave open the door to deception and concealment for the commonplace day-to-day purchases made by the average family.

In addition to being difficult to police, the exemption would be relatively simple to manipulate. By selling components of one item separately, by use of "split-ticketing" the requirement of annual percentage rate disclosure could easily be avoided in spite of the bill's attempt to prevent this. Most distressing of all, the exemption would cover all types of small loans—those made by "loan sharks" who prey on the poor and the ignorant as well as loans made by legitimate banks and finance companies. Why should they receive a license to mislead and dupe just because they are dealing with smaller amounts of money?

By refusing to make this unwise exemption, the House can assure that all consumers will receive the full protection of its broad disclosure requirements so that they can make intelligent choices based on the most accurate and complete information available.

Mr. MATSUNAGA. Mr. Chairman, I move to strike the requisite number of words.

(By unanimous consent, Mr. MATSUNAGA was allowed to proceed for 3 additional minutes.)

Mr. MATSUNAGA. Mr. Chairman, as a cosponsor of an identical bill, H.R. 11806, I rise in support of H.R. 11601, the Consumer Credit Protection Act, better known as the truth-in-lending bill.

The key to this landmark legislation is found in its declaration of purpose; the informed use of credit.

It is a matter of common knowledge that billions of dollars of credit is extended to consumers every year. Some of this credit takes the form of contracts which run from payday to payday, and some of it extends over several decades of repayment with interest. Credit, however, has come to mean something more than a mere means for retailers to sell their merchandise. For thousands of financial institutions, as well as retailers, credit itself has become a commodity to be sold at a profit, which too frequently exceeds the profit realized from the sale of the merchandise involved.

Present practices which are followed in the extension of consumer credit are designed to emphasize such features of the credit contract which will make the contract appear inexpensive and easy to pay off. It is true that some States by statute regulate credit contracts with respect to

the information which must be disclosed, and with respect to the maximum rates which may be charged, but, shocking as it may seem, most of the States neither require the creditor to inform the prospective credit purchaser what the total amount of his debt is going to be nor the number of payments he must make, nor the rate of interest he is being charged. And only in exceptional instances do the States which have disclosure statutes require disclosure of all the information which is necessary to a rational use of credit by the customer. With the tremendous increase in retail sales on credit, the need for Federal legislation has become abundantly clear in the last few years.

It has become equally evident that a truly effective legislation in this field must include the requirement that full disclosures be made on all consumer credit transactions.

Mr. Chairman, for this reason I strongly urge opposition to the proposed amendments which would provide exemptions for the so-called revolving credit, and finance charges of \$10 or less. There is indeed no sound basis for the granting of preferential treatment to retailers with this type of credit practice, and at the same time demanding full disclosure of annual interest rates on all other credit charges.

As distasteful as the word may be to many Americans, lawmakers, and consumers alike, the amendments would definitely provide a "loophole" which would constitute an open invitation to turn every imaginable type of credit transaction into a revolving credit or to assess a straight carrying charge of \$10 or less for every sale, to avoid disclosure.

In the final analysis, we would be penalizing the poor, for they will be paying the high cost of credit financing without even being cognizant of it. For example, a housewife purchasing a \$50 electrical appliance would pay an \$8 carrying charge for a 90-day credit without knowing that she is in fact paying an equivalent of an annual interest rate of more than 60 percent. And a man buying a power saw for \$29.95 with a carrying charge of \$6 for a 90-day term would in effect be paying an annual interest rate of 80 percent, without even knowing it.

To safeguard those consumers who need protection most, therefore, we must insist on full disclosure in all credit transactions. Consumers buying anything with finance charges of \$10 or less must not be kept in the dark as to the interest rate they are actually paying.

With reference to another provision in the bill, Mr. Chairman, I am told that an effort will be made to remove the garnishment provisions of this bill. If such a move succeeds we would be helping to perpetuate the cruelest device ever used against the innocent user of credit—the garnishment of the poor man's wages. If approved, the garnishment provisions of this bill would force the creditor, who now pushes credit sales of shoddy furniture, frozen foods, and other goods with complete disregard of the carrying capacity of the debtor, to exercise restraint in order not to oversell credit to his customers. The committee-supported pro-

vision which would restrict garnishment to 10 percent of earnings above \$30 per week, appears to be fair and equitable, both to the wage earner and to honest and ethical creditors. It should be adopted.

Mr. Chairman, the decision is ours to make as to whether or not H.R. 11601 will offer consumers a substantial range of protection against misuse of their money and of the Nation's credit and related economic resources. Ours must be a decision to provide a comprehensive consumer protection act for all of our Nation's consumers. The declared purpose of this legislation cannot be fulfilled if we are to accept amendments which would leave that segment of our consuming public which needs the greatest protection, unprotected. Let us on this day write a truly great chapter in American legislative history. Let us legislate for the truth, the whole truth, and nothing but the truth in lending.

The CHAIRMAN. The question is on the committee amendments on page 10, line 17, and page 12, line 2.

The amendments were rejected.

Mr. PATMAN. Mr. Chairman, we have three other committee amendments on pages 13 and 14 which really should be considered together because they are related. The first one, on page 13, line 12, strikes the word "annual." We oppose that. The second one, on page 13, line 13, after the word "rate," inserts the words "per period." We want to oppose that amendment, also. And on page 14, lines 10 and 11, it strikes "the finance charge expressed as an annual percentage rate" and inserts some other language. We want to oppose that amendment, also.

Mr. Chairman, I ask unanimous consent that these amendments be considered en bloc.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The CHAIRMAN. The Clerk will report the committee amendments.

The Clerk read as follows:

Page 13, line 12, strike "annual".

Page 13, line 13, after "rate" insert "per period".

Page 14, lines 10 and 11, strike "the finance charge expressed as an annual percentage rate" and insert the following: "the rate, if any, used in computing the finance charge and, in the case of an installment open-end credit plan, the equivalent annual percentage rate."

Mrs. SULLIVAN. Mr. Chairman, I rise in opposition to the committee amendments.

(Mrs. SULLIVAN asked and was given permission to proceed for 5 additional minutes.)

Mrs. SULLIVAN. Mr. Chairman, this is the most controversial thing in the bill. We have talked about it for 8 years, and now we come to the moment of truth in truth in lending. Are the department stores in the merchandising business, or in the money business? This committee amendment seeks to let them have it both ways. The American Retail Federation has had 7 straight years of victory on this issue, which is a very good batting average, but enough is enough. The wheel has revolved another

turn and now it is time to get off. Literally, that is what has happened in the past 2 days. On Monday, three of the biggest mail-order houses notified me for the first time—the first time since I have been involved in this issue, and that is since I introduced truth in lending back in 1963—that they can live with an annual rate requirement on their revolving credit. That does not make this automatically a bad amendment, any more than their support for it would have convinced me it is a good amendment. But it is very significant that Sears, Spiegel's, and Montgomery Ward oppose this amendment now while only J. C. Penney, among the largest chains, holds out for it. As I pointed out yesterday, Penney's originated this amendment. It is tailor made for Penney's own revolving credit plan.

This is not said as an accusation. I think that yesterday the gentleman from California [Mr. HANNA], who sponsored the amendment in the House bill, felt that my reference to Penney's role in originating the language was a reflection on him or on Penney's. I certainly had no such intention. Penney's has every right to be proud of its credit plan. But I do not think it has a right to saddle the consumer with a law which prevents the public from knowing the comparative cost of credit at Penney's, or other department stores, in relation to other forms of credit, or in relation to the rate of return on savings.

Throughout our hearings and committee deliberations and in the debate yesterday, the two different concepts of interest rate and yield were constantly used interchangeably, as if they meant the same thing. The department stores generally achieve a yield of much less than 18 percent on their revolving charge accounts, but the rate, in most instances, is 18 percent—the nominal annual rate—if the monthly rate is $1\frac{1}{2}$ percent.

But let us not stumble about in semantics. We are voting on this committee amendment at a time when there has been an almost complete collapse of business support for it. As I said, only one segment of the credit industry would benefit from it, but the whole concept of truth in lending would suffer from it, and the declaration of purpose in this title of the bill would be defeated insofar as the fastest growing type of credit is concerned.

Yes, only about 5 percent of all consumer credit is in revolving credit accounts. Possibly only 3 percent would come under this amendment. But the amendment would generate universal adoption of this type of credit. The gentleman from New Jersey [Mr. WIDNALL] indicated yesterday that this would be a very good thing; it would, he said, stimulate the credit industry to cut back sharply the time period it allows for repayment in order to take advantage of the special nondisclosure privileges of this amendment. This would be a novel way to achieve credit controls.

Instead of passing a law saying all consumer credit should be limited to 18 or 19 months—which the House, I am sure, would shout down in derision—we are being asked to achieve the same result by exempting from the requirement of

revealing their annual interest rate on their credit all firms which set up their repayment schedule in that fashion.

The sudden reversal of position of Montgomery Ward on this issue—joining the furniture dealers, the banks, the automobile dealers, the radio-TV stores, the hardware stores, the music stores and all of the other merchants who have opposed this department store special exemption right along, is particularly significant to me, because the man who two days ago announced that decision for Montgomery Ward, the vice president for credit, Mr. Ashley D. De Shazor, was the person who represented the American Retail Federation before our subcommittee, and who testified for this amendment in behalf of all of the major retailers at our hearing 5 months ago.

I was flabbergasted when I talked to him Monday after receiving his wire, and more so after talking to Sears' vice president and general counsel a few minutes later. Both firms prefer the revolving credit formula in my bill—which would be deleted by the committee amendment—to the revolving credit formula in the Hanna amendment. They would, of course, prefer a straight monthly rate on all revolving credit, with an annual rate only for installment credit. The gentleman from Ohio [Mr. WYLIE] wants to go them one better, and give every form of consumer credit a monthly rate. But, as we say in the supplemental views in our committee report, this would make some sense in achieving truth in lending only if we also, at the same time, required the banks and the bond houses and the Treasury and the savings and loans and the credit unions and all financial institutions which now cite their interest or dividends on the basis of so much percent per annum—to give only the monthly rate instead. In that case—and just think of this for a moment—a bank now paying 4 percent interest, and bragging about it, would be required to say instead, that it would pay you the magnificent return of one-third of 1 percent a month on your savings account.

Mr. Chairman, if we defeat this amendment, as I hope and trust we will, revolving credit will neither die, nor suffer, from revealing that the credit rate of $1\frac{1}{2}$ percent a month—or whatever the monthly rate is—figures out to an annual rate of 12 times as much. In addition to quoting the annual rate, the department stores can give the monthly rate also, if they wished. They have this privilege of showing the monthly rate as well as the annual rate. Penney's can tell its customers how its system differs from Sears' or Ward's or Spiegel's; the furniture stores can compete on even terms with the department stores, and so can the tire dealers and the other independent merchants. And the Members of this House can look their consumer-constituents right in the eye. So let us do it, by voting "no" on this committee amendment.

Mr. ASHLEY. Mr. Chairman, will the gentleman yield?

Mrs. SULLIVAN. I will be happy to yield to the gentleman from Ohio.

Mr. ASHLEY. Mr. Chairman, I want to express my deep respect for the gen-

tlewoman from Missouri, who has worked many, many months in this most important area. I want to congratulate the gentlewoman for the bill we are considering today.

When it first came to the committee, there were many areas with which I did not agree. The results of our legislative process in committee have produced the bill that we are considering today, and I believe that I speak for a number of the members of the committee—all of the members of the committee, I might say—in expressing congratulations, and I join with my colleagues of the committee who have come to understand what the gentlewoman from Missouri has been saying for many months and, indeed, many years.

I agree with the gentlewoman on the amendment that is before us at this time, and I shall take pleasure in following her leadership.

Mr. Chairman, I rise to speak in opposition to the committee amendment exempting revolving credit transactions from the requirements of disclosure of the annual percentage rate.

We can all readily understand the argument that this exemption prohibits the consumer from effective comparison shopping in connection with his credit transactions. After all, what we seek under this legislation is to provide for disclosure in connection with credit transactions so that the consumer can comparison shop. In other words, if a family decides it is going to purchase an armchair for the living room and does not want to or cannot afford to pay cash for the armchair, the fact that they purchase the armchair from the Hecht Co. on a revolving credit account as opposed to buying it from their local independent furniture dealer should not determine whether or not they obtain annual rate of disclosure.

However, the fact of the matter is that under the bill as reported by the committee, in their purchase from the department store they will be told that the finance charges are at a rate of $1\frac{1}{2}$ per month while the furniture dealer will have to disclose an annual rate of 18 percent. This is confusing and unwarranted and obviously runs contrary to the basic purpose of the legislation.

However, the major argument put forward by the proponents of the committee amendment is based upon confusion between the concepts of rate disclosure and yield disclosure. The proponents of the big chain store say that while the monthly rate applied to a charge account may be $1\frac{1}{2}$ percent a month, and while 12 times $1\frac{1}{2}$ percent per month is 18 percent, the particular schedule of payments and purchases when combined with the so-called free-ride period does not justify expressing the $1\frac{1}{2}$ -percent-per-month rate as 18 percent per year.

Now let us be clear about the concepts of rate and yield. There is a simple example of the difference between yield and rate which we are all familiar with. We all know that $4\frac{3}{4}$ percent is the rate the savings and loan associations of the District of Columbia offer on savings. However, we similarly recognize that the yield we will receive on our savings ac-

counts depends upon what time of the month we deposit money and what time of the month we withdraw funds.

If one savings and loan association only credits an account when funds are deposited on the first of the month, while another savings and loan credits an account with funds that are deposited by the 20th of the month, the rate of $4\frac{3}{4}$ percent will be the same for both but the yield on the account where funds are deposited on the 20th will be considerably higher. Both savings and loan associations in this example advertise a $4\frac{3}{4}$ percent rate. One, however, can and will advertise the yield advantage to the depositor permitting his deposits to be received and credited when such deposits are made by the 20th.

Similarly, the committee bill as originally introduced would have required all revolving charge account creditors to uniformly disclose the annual rate while permitting them in their advertising to describe the particular advantage to the consumer of the specific system they use.

Let us remember that the very purpose of this legislation is to provide disclosure, not to regulate. If we do not provide uniformity of disclosure so that the consumer can comparison shop, we are defeating the very purpose of the legislation. For this reason I support rejection of the committee exemption on revolving credit.

Mrs. SULLIVAN. Mr. Chairman, I thank the gentleman from Ohio for his remarks, and I yield back the balance of my time.

Mr. WIDNALL. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I rise in support of the committee amendment. I think yesterday's debate was extremely enlightening to the House. I was interested to hear the gentlewoman from Missouri [Mrs. SULLIVAN] continue to refer to the committee amendment as the big retailer amendment. In her statement the gentlewoman from Missouri [Mrs. SULLIVAN] then went on to tell the House that Sears, Roebuck—a billion-dollar-a-month retailer—Montgomery Ward—the store which recently tried to require their customers to purchase credit life insurance whether they liked it or not—Spiegels—a catalog house which is a subsidiary of a huge finance corporation and which has a Kentucky subsidiary charging 30 percent annual interest rate on small loans—and many other large retailers are supporting the Sullivan approach. In short, the biggest retailers in the Nation are supporting the gentlewoman from Missouri [Mrs. SULLIVAN].

The biggest banks in the Nation employing bank credit cards are also supporting the gentlewoman from Missouri [Mrs. SULLIVAN].

The auto companies are supporting the gentlewoman from Missouri [Mrs. SULLIVAN].

Who, then, is supporting the committee amendment?

The gentlewoman from Missouri [Mrs. SULLIVAN] seems to take great pleasure in reminding the House that the committee amendment is sometimes referred to as the "Penney" amendment. I think that is a good name to call it, because the J. C. Penney Co. happens to be the

one large department store which charges its customers the least amount on revolving charge of any retailer in the country.

It seems clear to me that the biggest retailers who have never supported the Senate bill or the House committee amendment are seeking to have everybody treated alike so that the entire Nation will be covered with an 18-percent annual interest rate floor on retail credit.

The purpose of the committee amendment has been and always was aimed at encouraging shorter term, less expensive carrying charges on revolving charge accounts.

If the House rejects the committee amendment, there is absolutely no question that the low-cost department stores, many of them small department stores, will be penalized for employing the lowest cost type of revolving charge systems. If they are faced with the requirement to place on their bills a statement that they are charging 18-percent annual rate of interest, there is no question but that they will be forced to abandon their present systems and make certain they actually do charge 18 percent. The net result will be to add tens of millions of dollars to the cost of consumer debt to the American public each and every year.

I urge the House to support the committee amendment.

Mr. BINGHAM. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from New York.

Mr. BINGHAM. Mr. Chairman, I would ask the gentleman if it is not true that all of the consumer groups, and the AFL-CIO are supporting the gentlewoman from Missouri's [Mrs. SULLIVAN] position in this regard?

Mr. WIDNALL. That is true.

Mr. BINGHAM. Thank you.

Mr. WIDNALL. We have received messages to that effect. But, also, I believe my colleague the gentleman from New York [Mr. FRO] should read the telegram from the American Retail Federation representing the small business group.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentlewoman.

Mrs. SULLIVAN. The gentleman says that if this committee amendment is defeated, then all the department stores and the catalog houses are going to have to charge 18 percent. Is that true? Is that what you said?

Mr. WIDNALL. I do not say that they have to, but they will.

Mrs. SULLIVAN. Has competition disappeared? I think they will compete for credit customers by charging the lowest rate possible, if others are also competing. But will you tell me whether or not you come out to any different annual figure than 18 percent as long as they charge $1\frac{1}{2}$ percent monthly? If you figure the monthly balance due, and multiply it by 18 percent, and divide that by the 12 months in a year—or multiply the monthly balance due by 1.5 percent—you come out to exactly the same figure. The annual rate cannot be any different than 12 times the monthly rate. The service charge would come exactly the same by either method of computation.

So it is not how much they are going to charge annually. If they apply that 1.5 percent a month, it cannot come out any different than at a rate of 18 percent a year.

Mr. WIDNALL. You are talking about the rate and not about the actual charge.

Mrs. SULLIVAN. We are talking about the annual percentage rate.

Mr. WIDNALL. But you are not talking about the charge.

Mrs. SULLIVAN. I do not understand the gentleman. What do you mean, the annual charge?

Mr. WIDNALL. I am talking about dollars and cents.

Mrs. SULLIVAN. We are talking about how they apply the 1.5 percent a month to the unpaid balance; are we not?

Mr. WIDNALL. All I can say is that we are trying to reduce the cost to the consumer and I think that this will up the charge in the average instance to the consumer by naming the 18-percent rate.

Mrs. SULLIVAN. I am sorry but I cannot agree with the gentleman on that.

The CHAIRMAN. The time of the gentleman has expired.

Mr. HANNA. Mr. Chairman, I rise in support of the committee amendment.

Mr. Chairman, I oppose the position taken by the gentlewoman from Missouri and I do so with great regret. She has my deep respect, as she has earned the respect of the most knowledgeable consumer groups for her dedicated work in this field.

She has, I want to assure her, my continuing affection as a friend and colleague.

However, Mr. Chairman, we part company on this issue, on a very fundamental distinction. The gentlewoman from Missouri [Mrs. SULLIVAN] and those who have followed her—and I want to emphasize to you that I do not stand here in the role of being with the angels today. All the wings were issued out long before I arrived on the scene. There is a commitment that goes way back by the consumer groups and labor groups, to the idea that truth in lending is tied to disclosure of a simple annual interest rate.

There are a lot of people who have their prestige, their reputation and their position tied up now on this proposition—with 8 years of dedication to it.

So all I can do is appeal to you on the basis of honesty and with humility. I do not agree that their position is correct.

I want to tell you, I think it is more important to the consumer to know how a rate is applied to get the yield he must pay. The amount that the offerer of credit gets, the consumer pays.

Unless you provide some way of bringing some intelligence to him of what the lender is going to get and he is to pay, you are not helping him.

I suggest to you, if you analyze this proposal correctly, you are going to have under the Sullivan version a law that is weak. A very gratuitous act telling the public that 1.5 percent interest times 12 is 18 percent.

That may make you look good in lots of places, especially if it is festooned with the grandiose statements that attach to that original idea that truth in lending is the annual interest rate.

But I humbly believe that you are going to be misleading yourself and misleading the public.

If you look at the bill—and that is very rarely done—I want to tell you that we make this distinction in two ways.

First, the committee carefully distinguished the short-term from the long-term revolving credit.

In the definitions that are found on page 8, starting on line 14, you will find that installment open-end credit plans, which means installments and not short term includes any revolving credit in which there is less than 60 percent total amount paid off in a year. In other words revolving credit which approaches in time and terms the pattern of installment credit is treated exactly like installment credit.

Let me tell you that is exactly why the large catalog houses are with the gentlewoman from Missouri [Mrs. SULLIVAN] because in the application of their revolving credit, they nearly all fall under installment credit. So why should they not go along with the gentlewoman?

When you look at the other distinction, you will find in the bill starting on page 12, line 24, and proceeding through that section, you will find things that have to be disclosed in short-term revolving credit, to tell the creditor something about how the monthly rate is applied.

In section f it states that if you are really talking about short-term revolving credit, you must state not only the balance but how the balance was determined against which you are going to apply the rate. If such balance is determined without first deducting the payments made that month, you have to tell that.

So this gives the buyer some idea of what 1½ percent is applied to.

Let me explain this: 1½ percent each month is something different than just one-twelfth of 18; 1½ percent each month is different from 1½ percent per month, if you understand the application of interest rates, because it is going to be applied for a particular period and at a particular point, and then the principal will change in the next month. So that the application is against a changing situation; whereas in an installment plan the whole pattern is already set out. You know how long it is going to run and what the principal is.

(By unanimous consent, Mr. HANNA was allowed to proceed for 3 additional minutes.)

Mr. HANNA. So I should like to explain to the House that when you tell the consumer that 1½ percent applied to a period of time, 1 month, relates to an 18-percent annual interest rate, you are not helping him at all in trying to solve his problem as to how much the credit is costing him, because he can only find that out by knowing three things: First, what is the rate that is being applied at a given time; second, against what balance; and, third, how the balance was arrived at? When he gets that information and multiplies it up, he can find what his interest rate would project, assuming that he went on with the same kind of payment balance and exactly the same amount owing.

If you think that you can oversimplify this matter for the American public, and if you think that we should engage in the gratuitous act of telling the American public that 1½ times 12 is 18, then you will, of course, not see the wisdom in what we are trying, under difficult circumstances, to explain. The people we are trying to help are the new people in the competition for credit. The old established houses—Sears, Roebuck, Montgomery Ward and Spiegel—and all the time-payment plans that have been with us for 50 years are for the gentlewoman from Missouri [Mrs. SULLIVAN], because her proposal would protect the status quo. The new competition for credit that the little merchandiser is trying to get into and be a part of will be cut off on a competition wave if you go along with the Sullivan amendment. Please believe that. I very sincerely believe that you would be making a mistake in the competitive position of credit in the marketplace for the consumer if you take easy way out.

I am not unmindful of the preponderance of sentiment and the weight of persuasion that attaches when forces like the AFL-CIO and consumer groups have for 8 years committed their prestige and reputation to a cause. When that cause oversimplifies in a slogan like "Truth in Lending" and such a slogan is made synonymous with "annual interest rate disclosure," it is difficult to come to the floor and face this great weight with a reasoned explanation of a complex set of facts and figures.

It is questionable that my poor rhetoric could prevail in such an environment. I can only sincerely confirm that my conviction remains that as matters now stand in the marketplace, the experience in actual life there is completely at odds with the popular belief perpetuated by the well-meaning forces behind this legislation. That being so, if we pass the Sullivan version, I hope the House will be willing to correct their error when the light of experience finally dawns.

Mr. FINO. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentleman from New York is recognized for 5 minutes.

(By unanimous consent, Mr. FINO was allowed to proceed for 5 additional minutes.)

Mr. FINO. Mr. Chairman, I would like the Members of this House to know that all of us are concerned with this legislation, both the minority and the majority, and we are here to try to support the position of the committee.

One of the publications that has very strongly supported the gentlewoman from Missouri [Mrs. SULLIVAN] in her efforts to make revolving credit sellers and lenders use an annual-rate figure has been Consumer Reports, a magazine with which most of us are or should be familiar. I have a copy of that magazine which discusses this very issue and which contains some very, very revealing information.

With all due respect to my fine colleague, Mrs. SULLIVAN, and the editors of this magazine, I think they have inadvertently made a very strong case for

not—and I repeat "for not"—requiring a statement of annual rate in revolving credit, by making certain facts regarding revolving credit accounts public.

In this issue, which is the September 1967 issue of the Consumer Reports, this magazine points out that even though the rate applied to different accounts may be the same, the results in terms of dollar costs are often very different. This magazine illustrates six different and separate methods of applying the one-and-a-half-percent charge to an identical set of purchase and payment circumstances.

Under the cheapest method discussed, the customer would pay \$2.28 in service charge. Under the most expensive—and this applies to identical purchase and payment circumstances—under the most expensive, the same customer, without doing anything different on his own part, would end up being charged \$5.44, or more than twice as much.

As the magazine points out in introducing these examples, and this is a quote from the magazine:

Service charges on revolving accounts vary widely from store to store and from bank to bank even though the stated interest rate is usually the same.

I ask the Members of this House, what protection is the stated annual rate? Obviously if the actual dollar charges can vary over 100 percent while the stated annual rate remains the same, the stated annual rate is worse than worthless. I say to the Members of this House, it is misleading and deceptive to the consumers—the very people we are trying to protect with this legislation.

Congress has been bombarded, and I know many Members of this House have received a great deal of mail from the lenders who, for many years, opposed any kind of truth-in-lending bill, who are now saying, "We are for the bill if everybody can be treated alike, if the annual rate will be stated on all revolving credit accounts."

This sudden reversal of position has surprised many people. But the figures given by Consumer Reports now make it clear why they are switching—and we are not talking about cigarettes, we are talking about the pocketbooks of our customers.

If you are charging \$5.44 and your competition is charging \$2.28 for the same service, would you not favor a law which would lead the customer to believe that both firms were actually charging the same rate? It is instructive to note that those most vocal in demanding equal treatment are almost invariably those whose credit plans are the most expensive to the consumer.

Consumer Reports—referring to the same publication—reluctantly admitting some difficulty in this area, says:

The drafters of the Senate Truth-in-Lending Bill recognize this obstacle to credit price comparisons. Their solution is to require each revolving credit contract and monthly statement to explain its billing system. The Federal Reserve Board, which will have to write the necessary regulations, has its work cut out.

The magazine then goes on to demonstrate how difficult such an explanation

is. They then weaken their own argument for annual rate as the panacea to this problem, in my opinion, when they say:

With slight amending, it (Mrs. SULLIVAN's original bill) could assign the Federal Reserve Board to tackle the billing problem.

If in the one instance—implementation of the Senate bill, which is quite straightforward—the Federal Reserve Board “has its work cut out,” how can we expect that with “slight amending” the whole problem will go away and disappear when the added complication of admittedly misleading annual rate is added?

I have not used any sources of information in this discussion which are unfriendly to the distinguished chairman of the Subcommittee on Consumer Affairs, the gentlewoman from Missouri [Mrs. SULLIVAN]. I have quoted entirely from a publication which passionately defends her point of view. But I submit to the Members of the House that this annualization of revolving credit charges is fraught with so many problems and so ignores the obvious variables involved that the wisest course of action we can take here on this floor today would be to endorse the position of the majority of the members of the committee and support the committee amendments.

We know that the members of the Senate committee wrestled with this very problem for more than 6 years. They finally came to the same conclusion as the House committee did. The Senate itself endorsed that position with an unanimous vote, 92 to nothing.

I do not want to try to upset 7 years of careful study on the basis of a single afternoon's debate on the floor of this House, particularly when the case offered us is as shaky as I have shown it to be.

Now, the gentlewoman from Missouri [Mrs. SULLIVAN] showed great concern today for the big corporations that we are trying to defend. I believe the gentleman from California pointed out very correctly that the big “fat cat” corporations, the big wholesale houses—Sears, Montgomery Ward, Spiegels, et cetera—are with the gentlewoman from Missouri [Mrs. SULLIVAN]. We are interested in the little fellow. All of the Members of this House who are so concerned about the small businessman, the little fellow who is being driven out by these big “fat cat” corporations and business houses, should know that they have a position which they have taken, and it is our position as well.

I should like to read for the benefit of the Members a telegram I received from the American Retail Federation, which represents not the “fat cat” corporations but the small businessman in your own communities.

This is the telegram I received today from the American Retail Federation which, as I indicated, is representative of small business people:

The American Retail Federation continues its support of truth-in-lending and requests your support of the bill as reported thirty to one by the House Banking Committee. We urge you to oppose those members seeking to defeat a workable realistic compromise which has taken seven long years to achieve. That compromise was designed to protect

and inform consumers on the true cost of revolving credit charges. To require revolving credit grantors to state that they are charging eighteen per cent per year will tend to encourage them to collect that amount as a yield. Revolving credit grantors average yield rate is substantially below eighteen per cent per year on periodic charges of one and one-half per cent.

The CHAIRMAN. The time of the gentleman from New York has expired.

(By unanimous consent, Mr. FINO was allowed to proceed for 1 additional minute.)

Mr. FINO. Mr. Chairman, the telegram continues:

Mr. Patman and Mrs. Sullivan would require retailers to disclose eighteen per cent per year on revolving credit. If their proposals carry retailers may be tempted to increase their yields to the applied annual rate required to be disclosed. Increased credit costs cannot benefit or protect consumers.

EUGENE A. KEENEY,
Executive Vice President.

So I say, Mr. Chairman, that I intend to support the committee amendment on revolving credit charges and urge the other Members of this House to do likewise.

Mr. PATMAN. Mr. Chairman, I would like to know if we might agree on a time limitation? I wonder how many would like to speak? I count at least seven.

I think I will abandon that at this time, Mr. Chairman. Mr. Chairman, I rise in opposition to the amendments.

Mr. FARBSTEIN. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman.

Mr. FARBSTEIN. Mr. Chairman, I thank the gentleman for yielding.

I might suggest that I, too, have been bombarded with telegrams, but my bombardment has been from civic organizations and from people who are directly affected with this bill. In this connection, let me say that they favor the Sullivan amendment.

(Mr. FARBSTEIN asked and was given permission to revise and extend his remarks.)

Mr. FARBSTEIN. Mr. Chairman, last summer I cosponsored a comprehensive consumer credit bill designed to assure the American consumer full disclosure of credit terms. I am happy to see that the bill, under consideration today, contains several of the provisions I then proposed. Beside the truth-in-lending provision, these include a provision restricting garnishment of wages and one establishing a National Commission on Consumer Finance.

Mr. Chairman, credit is an integral part of our economic way of life. It has been estimated that consumer credit today totals approximately \$96 billion. I believe that the Congress has a direct responsibility to the American taxpayer to see to it that he receives accurate credit information in terms he can understand and can use for comparative shopping.

One of the most controversial parts of this 7-year debate over consumer legislation has been that concerning disclosure of financial terms on revolving credit plans. The bill as reported out by the Committee on Banking and Currency distinguishes between installment and the short-term revolving credit. This bill

does not require short-term revolving plans to disclose interest rates in annual terms. I had hoped that the committee would move to require all credit plans to fully disclose interest rates. I support the amendment to require the disclosure of annual interest rates on revolving credit.

I believe this is particularly inconsistent when one notes that the truth-in-lending advertising provision requires that all revolving credit plans, including the short term, set out annual percentage rates. The committee bill under consideration does require all creditors to furnish an estimate of the approximate annual percentage rate for a transaction where the customer requests it. I support this measure. However, I had hoped that they would require disclosure of an annual rate for all transactions, negating the need for this amendment.

The committee also adopted an amendment exempting from annual rate disclosure consumer credit transactions where the finance charge does not exceed \$10, usually involving credit of approximately \$100 or less. As I observed in my statement before the Subcommittee on Consumer Affairs, I believe there should not be a minimum limit on the dollar size of a credit transaction because low income citizens would be the ones most injured by abuse of credit practices on small dollar purchases and there should be a disclosure of all consumer credit transactions irrespective of the amount.

Along with the rise in credit usage has come an alarming increase in the levels of personal bankruptcies. As the committee commented, in its report, evidence clearly established the causal connection between high levels of personal bankruptcies and harsh garnishment laws. In States where entire wages can be garnished, the records show that personal bankruptcy is extremely high. My own State of New York has adopted a much sounder approach to this problem by substantially limiting garnishment practices. The result is a low rate of personal bankruptcy. I have advocated a complete restriction on garnishment of wages in the past and will continue to do so. However, I believe the committee's 10-percent limit on garnishment of weekly wages above \$30 is a just measure for both debts and creditors alike and represents a move in the right direction.

Finally, let me simply say that I believe all of us owe a great measure of gratitude to the individual members of the Committee on Banking and Currency. They have worked long and hard to reach agreement on this controversial bill. Although I disagree with certain provisions adopted by the committee, I believe they have reported out an effective bill—one which all of us will, after floor debate, be able to support in final passage.

(Mr. PATMAN asked and was given permission to proceed for 3 additional minutes.)

Mr. PATMAN. Mr. Chairman, this has been a very interesting debate, but it resolves itself down to one question, which is whether or not we will have revolving credit fully covered in this bill. These three amendments that the gentlewoman from Missouri [Mrs. SULLIVAN]

is opposing involve revolving credit. I believe all Members of the House—and I know I have—have received telegrams. Practically every one of them said, "We do not object if you will make it include revolving credit and include everybody alike. We just do not want to be singled out." That is what practically every telegram says. The proposal of the gentlewoman from Missouri [Mrs. SULLIVAN] carries out the will and the wishes of those sending those telegrams. May I invite your attention to the fact that if this bill stays as it is and we are unsuccessful in striking out these three amendments, then your vote will be, if you vote for this bill in that form, to discriminate against small business, consumers, and workers.

Mr. Chairman, I know the Members of the House pretty well, and they are generally friends of small business. Oftentimes we have questions before us that are so confused that sometimes we vote opposite to the way we really expect to vote, but this time we know that if you vote for this bill as it is and do not defeat the three amendments the gentlewoman from Missouri [Mrs. SULLIVAN] is opposing, you will be casting a definite and positive vote in favor of the big man and against the little man, discriminating against small business. I do not think that Members generally would want to do that, but that is exactly what would happen.

There is only one organization that has not come over to the viewpoint that is expressed here by the gentlewoman from Missouri [Mrs. SULLIVAN]. This is a big national concern, but it is small in comparison to the aggregate of all other concerns. There is only one. All of them now have come over to support a vote to make this requirement just exactly alike for all businesses, with equality for all concerned. That is what we would like you to do: vote "No" on these three amendments. They are devastating; they are destructive; and they put you in a position of voting against small business.

Mr. JONES of Missouri. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I cannot yield right now before I finish my general statement. After I complete my general statement I shall be delighted to yield to the gentleman from Missouri.

Mr. Chairman, the organizations that have endorsed the position on this of the distinguished gentlewoman from Missouri [Mrs. SULLIVAN], represent all small business organizations, labor, and consumers. It has been endorsed by the Independent Bankers Association, the American Bankers Association, the savings and loan associations, the National Automobile Dealers Association, the National Furniture Dealers Association, the National Association of Mutual Savings Banks, the AFL-CIO, and the National Consumers Conference. May I say, Mr. Chairman, that I happen to know something about the American Retail Federation that perhaps some members of the Committee of the Whole House on the State of the Union do not know. They were not organized to represent little men. They were organized to represent big business. There was such a scandalous proposal that came out when they made

the announcement that there was a resolution introduced by a former Member of this House from Missouri to investigate the American Retail Federation, that before the bill was adopted Speaker Byrnes stated that the former gentleman from Missouri could not be the chairman of that special committee and then asked me to be chairman of that special committee.

Mr. Chairman, we investigated and made reports as to what this organization was organized to do, and I can assure the members of the Committee that it was organized for big business and against little business. And, Mr. Chairman, by reason of that investigation, there was a law passed. It resulted in a law to protect little business, a law known as the Robinson-Patman law.

So, Mr. Chairman, the American Retail Federation is more responsible for that law than any other group, because it was decided by the Congress of the United States that they were organized to represent big business concerns, to help big business, and to harm small business.

So, Mr. Chairman, when they cite the American Retail Federation as an example of the little fellows that are for the bill as written and against the Sullivan amendments, they are not citing a good example.

Mr. JONES of Missouri. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. Of course, I now yield to the distinguished gentleman from Missouri.

Mr. JONES of Missouri. The question that arises in my mind—and I cannot get anyone to explain it to me—is this: The committee which is headed by the gentleman from Texas [Mr. PATMAN] had this bill under consideration for a long period of time. And, I take it that these amendments which were adopted by the committee were the result of considerable consideration.

Mr. PATMAN. By a very close vote.

Mr. JONES of Missouri. And, Mr. Chairman, if the gentleman from Texas will yield further, after the bill comes out, and with a report thereon by the committee, or the majority of the committee, and then the main sponsors of the bill say that these committee amendments that you voted for—

Mr. PATMAN. No; I voted against them. Most everyone here today voted against them. It just happens that our committee division is very close. The division between the Democrats and the Republicans is very close. It does not take very many votes to change the result. This was a very close vote, and I can assure the gentleman from Missouri that everyone who voted, who wants to vote for the little man, should vote against these amendments.

Mr. JONES of Missouri. Mr. Chairman, I have usually tried to follow the practice in voting upon legislation of following the cardinal rule of endorsing or undertaking to understand the committee action thereon. I say this, because I feel that the committee under whose jurisdiction the particular question falls has given great attention and study to the bill. However, when such committee comes out and brings a bill onto the

floor of the House and asks the Members of the House to rescind its action, this is not very convincing.

Mr. PATMAN. The majority of the members of the Committee on Banking and Currency are for these amendments.

Mr. JONES of Missouri. Mr. Chairman, if the gentleman will yield further, how did these amendments get in the bill if a majority of the members of the committee were not for them?

Mr. PATMAN. I have explained to the distinguished gentleman from Missouri that this action was taken upon a very close vote. We have two vacancies on the majority side of our committee.

Mr. JONES of Missouri. Well, you ought to fill them.

Mr. PATMAN. We had a disadvantage, but at the same time it was a very close vote. I am confident that the gentleman from Missouri always votes in the interests of the American public and, therefore, I would counsel the gentleman that his vote is "No" on these amendments and, therefore, the gentleman will be voting right.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. Of course, I yield to the distinguished gentlewoman from Missouri.

Mrs. SULLIVAN. Mr. Chairman, in order to answer the interrogation propounded by the distinguished gentleman from Missouri, I want him and I want the members of the Committee of the Whole House on the State of the Union to know that the position that I am fighting for today, and that Chairman Patman is fighting for, is the position of the majority party in the committee. If the gentleman will look at the committee report, at page 106, the gentleman will see that most of the Democrats on the committee voted against a revolving credit exemption—and against the \$10 exemption.

The CHAIRMAN. The time of the gentleman from Texas has expired.

(Mr. PATMAN asked, and by unanimous consent, was allowed to proceed for 1 additional minute.)

Mrs. SULLIVAN. I might say that on the revolving credit amendment we lost on a 17-to-14 vote. Of the 14 who voted no, we had one Republican vote. Of the 17 who voted yes, I believe, four or five Democrats voted with the Republicans. And that is how the two bad committee amendments were adopted. When the subcommittee was considering the bill, the subcommittee was locked in a tie vote; we could not get it out of the subcommittee because we were divided six to six, and that was because we lost several Democratic votes in that subcommittee.

So I brought it to the full committee, to have this bill advanced, and we got a very good bill through except for these two amendments supported largely by the other party.

The gentleman from Texas [Mr. PATMAN] and I are arguing for the Democratic point of view on this issue, and we appreciate the support of the few Republicans who helped us.

Mr. PATMAN. In this connection, we, of course, would have to have a record vote on this issue if we were to be unsuc-

cessful in Committee of the Whole House on the State of the Union, because this is too important not to give the greatest attention to it. We do not want to be recorded as discriminating against small business, so vote "no" on the committee amendments.

Mr. HALPERN. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the committee amendments.

Mr. Chairman, I would like to express my strong opposition to the amendment which would exempt revolving credit accounts from the requirement to disclose their credit charges in terms of an annual rate, and substituting instead, a monthly rate. This issue has been argued and debated as long as credit disclosure legislation has been under consideration in Congress, and I feel that the complexity of the problem has been highly exaggerated by those who favor this exemption. I believe that one example can be presented to reveal the spurious nature of this whole issue.

Let us remember, first, the basic purpose of our "truth in lending" legislation. We are seeking to enable the consumer to make informed and rational choices in his purchases and credit arrangements. And, the basic conclusion which motivates this bill is that the consumer cannot make intelligent choices unless alternatives are presented to him in a uniform, and thus easily comparable fashion.

We do not need this legislation merely to insure that consumers are told the "truth"; there are already laws which protect individuals from deliberate fraud. What the consumer does need is to be told the truth in a form which is meaningful to him. Significant truth in the area of credit means credit terms for all transactions presented in a uniform fashion, so that the consumer can compare credit terms with the same ease that he is able to compare initial prices. The exemption of revolving credit accounts from required disclosure of rates on an annual basis, the basis on which other rates must be disclosed, would defeat this primary function of our legislation.

Mr. Chairman, I do not intend, at this time, to foist upon this body the entire Pandora's box of mysteries and complexities which supposedly surround the issue of revolving credit accounts. I firmly insist, in fact, that these difficulties are completely spurious and that this particular box is filled with nothing but cobwebs and shadows.

I submit, Mr. Chairman, that if a savings bank can provide an annual rate to its depositors, then a revolving credit dealer can do the same for its customers. And, if variations remain in the type of savings accounts offered to depositors, then there is no danger of complete standardization in the terms of revolving credit accounts.

It has been demonstrated, in the lengthy hearings held on this bill, that savings accounts operate on a principle very similar to that of revolving credit accounts. In revolving credit accounts, customers continually make purchases and pay off their debts, with these operations often overlapping. In savings ac-

counts, customers make deposits and withdrawals, at irregular and overlapping intervals. Both types of accounts offer grace periods, different methods and intervals of calculating balances or compounding interest, as well as diverse other inducements or charges.

Does the disclosure of an identical annual rate by different savings banks result in inaccurate information for the depositor, given that banks offer different grace periods, different compounding intervals, and so on? Not at all. The annual rate on which interest is calculated is, in fact, 4 percent, or $4\frac{1}{2}$ or 5. The depositor would have no more accurate information if he were told that the monthly rate is one-third of 1 percent.

Does the fact that all the banks in one district are compelled to reveal an identical rate seem to have diminished or destroyed competition on other terms for savings accounts? Hardly. In the same advertisement, or on the same application, on which the interest terms are revealed, the bank also discloses its longer grace period, more frequent discounting intervals, initial bonus gift, and so on.

Mr. Chairman, the two main arguments offered by those favoring the exemption of revolving credit accounts from disclosure of an annual rate are that an annual rate would be less accurate than a monthly rate and that it would lead to the disappearance of all variation among different revolving accounts. I submit that neither of these points is valid, as revealed in the aforementioned example, and that preservation of the meaning and purposes of this legislation requires that this amendment be defeated.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that all debate on the pending three amendments, and all amendments thereto, close at 3 o'clock.

The CHAIRMAN. Is there objection to the request of the gentleman?

Mr. WILLIAMS of Pennsylvania. I object.

Mr. PATMAN. Mr. Chairman, I move that all debate on the pending three amendments, and all amendments thereto, close at 3 o'clock.

The motion was agreed to.

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. BINGHAM].

Mr. BINGHAM. Mr. Chairman, much has been made of the claim that the 18-percent annual rate is somehow misleading and that the matter or how much interest is actually earned on a revolving credit account is so complicated and so difficult to figure that the 18-percent figure is not accurate.

Mr. Chairman, the committee amendment calls for 1.5 percent per month interest.

If 18 percent per year is inaccurate and misleading, then 1.5 percent per month is inaccurate and misleading.

Why is it that some of the retailers want so much to avoid putting down 18 percent a year? It is for one reason and one reason only: 1.5 percent a month sounds cheaper to the consumer. It sounds like a credit bargain; 18 percent a year sounds expensive. That is the simple reason why they do not want to make the change.

Much has been said about the fact that some of the larger retailers have come in recently and accepted the proposition as represented by the gentlewoman from Missouri [Mrs. SULLIVAN]. The reason for that is not sinister. The reason is that they do not want to try to make a distinction between the two types of installment credit that the committee amendment provides.

The CHAIRMAN. The Chair recognizes the gentleman from Pennsylvania [Mr. WILLIAMS].

(Mr. WILLIAMS of Pennsylvania asked and was given permission to revise and extend his remarks.)

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I wish to correct any impression that may have been left here to the effect that the committee amendment to which we are referring does not protect the consumer. It very definitely does protect the consumer. The very reason the Spiegel's, Sears, Montgomery Ward and others do not want the committee amendment is that many other stores throughout the country are applying their interest rates in such a way as to get a yield of from 9 to 12 percent from their interest charge instead of the 18 percent that some of the big giants are charging and the large stores want to avoid disclosing this fact.

I also want to clear up another point. Many of these consumer groups, are against the committee amendment because they think the committee amendment would not control revolving charge accounts. It definitely would. Starting on page 13 there are eight provisions which must be disclosed to any customer using a revolving charge account.

The CHAIRMAN. The Chair recognizes the gentleman from Pennsylvania [Mr. MOORHEAD].

(Mr. MOORHEAD asked and was given permission to revise and extend his remarks.)

Mr. MOORHEAD. Mr. Chairman, I oppose the committee amendment exempting open-end credit plans from the annual rate disclosure provisions of the bill.

Mr. Chairman, the principal purpose of the bill before us is to assure the American consumer of accurate, understandable, and, most important, readily comparable information about the cost of credit—not of some credit, but of all credit.

The committee amendment subverts this purpose by freezing into law the very differences in the expression of credit costs that now cause so much confusion and misunderstanding among credit users.

Undisputed testimony before this committee's Consumer Affairs Subcommittee showed that mathematically identical credit offers can be stated in terms that make them appear to be dramatically different. Mathematically, $1\frac{1}{2}$ percent a month translates easily into 18 percent a year; psychologically, the monthly rate seem much lower.

Mr. Chairman, in the courts of law, we require all witnesses, not some witnesses, to "tell the truth, the whole truth and nothing but the truth." If we are going to have a truth-in-lending bill, we should require not just some creditors, but all

creditors to "tell the truth, the whole truth and nothing but the truth."

The committee amendment gives a tremendous competitive advantage to the large, computerized retailers, allowing them to tell only one-twelfth of the truth, while requiring small retailers, banks, finance companies, mortgage lenders and most other creditors to tell the whole truth.

Mr. Chairman, if we are to faithfully serve the interests of the American consumer, we must put all consumer credit transactions on an equal footing. The common denominator of the annual rate is the only standard by which consumers can meaningfully compare credit offers and determine which is cheapest.

This amendment was adopted in committee by a margin of only three votes of the 31 cast. The majority accepted at face value the large retailers' assertion that the 1½ percent most of them charge on unpaid revolving account balances cannot be expressed as an annual rate of 18 percent because of the "free ride" period they offer.

This argument has two terrible flaws. First, it ignores the fact that in the revolving credit system, a transaction is, for a specified period, a cash deal, with no service charge whatsoever. Only when the grace period expires does the deal become a credit transaction. When the 1½-percent charge is then applied, the rate will always be 18 percent a year.

Second, the retailers' argument deliberately confuses yield on accounts receivable with the rate at which charges are assessed. When a retailer's monthly charge begins to run at 1½ percent, the annual rate cannot be other than 18 percent, even though the yield on that account over a year's time may be far less than 18 percent, depending on how often during the year the account is paid up within the specified "free ride" period in which no charge is made.

The defeat of the committee amendment and the application of the annual rate disclosure requirements to the large, computerized retailers will do nothing to reduce competition among them or between them and other lenders. It will merely require them to disclose their credit charges the way other creditors do—on an equitable, annual rate basis.

Nothing in this bill prohibits a retailer from emphasizing to its customers the length of its "free ride" or the low average yield on its accounts.

Indeed, as far as advertising is concerned, the bill encourages revolving credit lenders to compete. I quote from page 17 of the committee report:

The advertising standards provided for in the Committee bill are intended to be minimal. Sellers and lenders who wish to go beyond what is called for in the bill and explain their terms in more detail are encouraged to do so, provided that the details they supply are accurate and in no way misleading. Detailed explanation is particularly to be desired in the case of revolving credit plans, where differing billing methods have as much impact on consumer charges as differing rates.

Once every lender and seller is required to make the basic facts available in his advertising, those who wish to go into such additional details as average yields for all accounts will be able to do so in an atmosphere of greater consumer understanding.

I urge my colleagues to keep faith with the American consumer and the competitive free enterprise system by voting down this discriminatory committee amendment and requiring not some, but all creditors to "tell the truth, the whole truth, and nothing but the truth."

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. RYAN].

(Mr. RYAN asked and was given permission to revise and extend his remarks.)

Mr. RYAN. Mr. Chairman, I rise in opposition to the committee amendments and in support of the position taken by the distinguished chairman of the committee [Mr. PATMAN] and the distinguished chairman of the subcommittee [Mrs. SULLIVAN]. The loophole which exempts revolving credit should be closed. For the benefit of the members of the committee, I should like to read a statement issued January 27, 1968, by the Chairman of the President's Consumer Advisory Council on this very point. He said:

To be effective, full disclosure of credit charges must embrace all forms and amounts of credit . . . Permitting no disclosure of credit costs for revolving credit by the annual percentage rate method will invite more firms to use this type of credit to avoid disclosure and comparison with the charges of other credit vendors. It is unfair to give preferential treatment to any one business group by exempting it from the disclosure required of competitors.

That statement by Bronson C. LaFollette, attorney general of Wisconsin, and Chairman of the President's Consumer Advisory Council, sums up the issue.

There has been much discussion of whether it is fair to require disclosure of an annual rate of interest when payment is usually made over a shorter period of time. The speedometer analogy in the supplemental views is very apt. Just as miles per hour is the standard for measuring speed, annual rate is the standard for measuring interest rates, regardless of whether the car traveled a full hour or the loan was outstanding for a full year.

Revolving credit is the most rapidly expanding form of credit. It would be encouraged to expand even more rapidly by the shelter contained in the committee bill. To permit one category of credit to disclose rates on a monthly basis, while requiring the rest to state a uniform yearly rate is to confer an unfair psychological competitive advantage. The rate of 1½ percent a month simply sounds preferable to 18 percent per year. This loophole gives one of the more costly forms of credit a favored position compared to lower cost conventional loans.

The key to an effective truth-in-lending statute is consistency and uniformity. If certain categories are exempted or permitted to calculate credit charges on a distinct basis consumer credit will remain in a morass of confusion.

The CHAIRMAN. The Chair recognizes the gentleman from Georgia [Mr. BLACKBURN].

(Mr. BLACKBURN asked and was given permission to revise and extend his remarks.)

Mr. BLACKBURN. Mr. Chairman, I wish to call the attention of the House to a situation which has not been fully dealt with, and which has bearing on the subject under discussion. Although the bill makes no attempt to regulate profits from credit charges, the underlying hope is that by exposing those charges, the Congress will help the competitive process bring them down. We have heard a number of statements over the past few weeks about how high these charges really are, particularly in the case of revolving credit, where merchants are said to be getting up to 18-percent return on their outstanding receivables.

Every study that has been made of the issue makes it clear that these high yields are a myth—that very few if any retailers are making money on their credit operations. Rather, they use credit as a loss leader of sorts to aid in the sale of merchandise. The cost of credit programs which is not covered by the service charge revenue is made up in the cost of the merchandise itself. The question which then arises is, "If this is true, how can the banks survive competitively? They have no merchandise sales in which to hide any of their costs."

The fact is that the banks and other financial institutions which have credit card plans and check credit plans operating on a revolving charge basis do have a merchandise sale against which a cost of credit is levied. It is called the "bank discount," and this bill does not deal with it in any way whatsoever. It is ironic that the banks are among the leaders in urging Congress to "treat everyone alike—make everyone disclose on the same basis" because this integral part of the banks' system is not required to be disclosed to the public by Mrs. SULLIVAN's bill or by her amendment to the committee bill.

The discount system to which I refer works this way. When a merchant honors a bank credit card, he pays the bank a "discount" on the sale which is made on the card. Usually, it ranges from 2½ to 3 percent. That means that if you buy a \$100 suit and pay for it by offering a bank credit card, the retailer selling that suit pays the bank \$2.50 to \$3 on that sale. The bank then sends you a bill for \$100, and they add a service charge of \$1.50 to it if you do not make a payment by the billing date.

The net result is that the bank has its money from the retailer right from the beginning. Anything you pay it is extra, and the net yield to the bank on the money outstanding is always higher than the published rate. Under Mrs. SULLIVAN's amendment, the bank would disclose to you that you were being charged 18 percent a year, whether that is how it worked out or not. But you would not be told about the discount provision at all. There is no requirement that the retailer or the bank tell you that at some point you are paying not only the service charge but also the bank "discount" charge.

Understandably, retailers with their own credit plans are upset about this kind of "equal treatment." Since it has been demonstrated that the yield they receive from their revolving credit plans is almost always less than the 18 percent

figure which Mrs. SULLIVAN would require to be stated, they will be put in the position of always overstating their charges while their competition has a source of credit revenue about which the consumer is never told.

The wisest course to follow is that outlined by the majority of the committee. The committee does not call for any theoretical annual rate, but for a straightforward statement of the actual terms of each and every account. True, the bank discount is not required to be disclosed, but if the retailers are not trying to explain away annual rate, such disclosure is not needed. Under the committee bill, the consumer will be told everything she needs to know to make a meaningful dollar comparison of charges to her, and there will be no competitive pressure on the lenders and sellers to hide charges in discounts or higher prices in order to advertise an attractive "lower" rate.

What all this means is that we should frankly and openly face the fact that revolving charges are different than traditional installment contracts, and therefore treat them differently. That is the only intelligent way to approach the problem. An attempt to force every type of credit into the same mold of identical disclosure can only do violence to the nature of some types of credit, and we all know that under those circumstances it is the consumer who will eventually be made to pay. Far better to let the market set the conditions of the accounts, and the Congress merely to require that all of those conditions be set forth in clear and honest fashion. For that reason, I support the committee amendment on revolving credit.

The CHAIRMAN. The Chair recognizes the gentleman from Maryland [Mr. MACHEN].

(Mr. MACHEN asked and was given permission to revise and extend his remarks.)

Mr. MACHEN. Mr. Chairman, I rise in support of the position taken by the chairman of the committee and the chairman of the subcommittee and in opposition to the committee amendment. I was also very happy when this so-called loan shark provision recommended by the committee was rejected.

Mr. Chairman, the field of consumer credit has become an impenetrable jungle of confusing terms and incomprehensible concepts. If consumers were already thoroughly knowledgeable about credit terminology and interest rate percentages, there would be no real need for truth-in-lending legislation.

Consumer credit in the United States has been growing at a rate equal to four times that of the national economy. At the end of 1945, consumer credit was at a level of about \$5.6 billion. As of March 1967, the total amount of consumer credit was estimated to have jumped to \$92.8 billion and in September to \$98.8 billion. The size of consumer credit in this country has increased by 17 times over that for 1945.

American families are now paying about \$13 billion a year in interest and service charge payments for consumer credit. This is just a little less than the yearly interest which the Federal Government pays on the national debt.

There are many extraordinary and much-needed provisions in the bill we are considering today. The Consumer Credit Protection Act would, first, safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions and in offers to extend credit; second, restrict the garnishment of wages to prohibit the attachment of more than 10 percent of a worker's wages, after exempting \$30 of his earnings, and forbid an employer from firing a garnished worker for his first garnishment; third, provide for "truth in advertising" by requiring rate disclosure, as well as all credit terms whenever any mention is made of any credit requirement in an advertisement; fourth, requires sellers and lenders, whenever credit life insurance is mandatory, to disclose the cost of such insurance along with other information regarding the total finance charges; fifth, require mortgage lenders to disclose annual rates and total finance charges including "closing costs" in transactions involving first and second mortgages; sixth, provide that creditors must furnish a written estimate of the approximate annual percentage of finance charges on open-end credit plans whenever a customer requests it either orally or in writing, and specify a repayment schedule and other essential credit terms as may be prescribed by regulation; seventh, require disclosure of payments and credits not deducted during a billing period before a finance charge is added; eighth, create a National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry, as well as consumer credit transactions generally.

I fully support all these provisions of the bill. However, I feel compelled to agree with several members of the committee concerning two particular committee amendments to the bill. I believe that if these amendments are allowed to remain in the bill—rather than having real truth in lending—we would be, in essence, freezing into law many of the very differences in the expression of credit costs which caused so much trouble to begin with.

In title I of this bill, there are two loopholes which I believe should be deleted to insure the effectiveness of this legislation in really achieving truth in lending.

The first of these loopholes is the "open-end" exemption which would permit very large department stores and chains, mail order houses, and other sellers using computerized "revolving credit," and some credit card systems, to express their credit charges to their customers on a periodic basis—customarily a monthly rate—rather than the annual rate method which is prescribed in the bill for other forms of consumer credit.

The second of these loopholes is the \$10 "loan shark" provision. This loophole would throw a blanket of concealment over the costs, on a percentage basis, of a vast number of additional consumer credit transactions where the credit charge does not exceed \$10.

Under the first loophole, annual rate

disclosure would be required for the largest and perhaps the most important credit transactions that the average family would make—such as the purchase of a home or automobile, furniture, or a large ticket appliance on which the payoff period extends beyond 19 months, or substantial loans, and so forth.

While these circumstances may represent the bulk dollarwise of consumer credit transactions, they do not cover the majority of instances in which most families use credit. It is true that revolving credit now represents only about 5 percent of consumer credit outstanding other than real estate credit. However, it has been growing at a tremendous rate; and according to some experts, it will capture about 50 percent of the consumer credit market in the next 5 years. If this form of credit is favored by this special exemption in truth-in-lending legislation, the already strong trend toward open-end credit plans will be greatly accelerated.

If these committee amendments are allowed to remain in the bill, lower income families would still spend most of their credit dollars without having an opportunity to learn how to use these dollars wisely. Without knowing it, they could be paying at rates of 18 to 24 percent or more for what they are told are "easy terms" of 1½ or 2 percent a month on revolving credit. And they would be paying at rates of 120 to 240 percent, or even more, on other transactions on which credit charges are given as only \$10.

The purpose of truth in lending is to have credit charges stated in a way so that the consumer can make an informed judgment on the cost of alternative credit sources. It seems to me that a single standard for stating these charges is essential to achieving this purpose. A variation would constitute a built-in distortion of the truth.

Mr. Chairman, I support uniform annual disclosure of rates for all categories of lenders covered under this bill. I urge my colleagues to pass the strongest truth-in-lending bill possible.

The CHAIRMAN. The Chair recognizes the gentlewoman from Massachusetts [Mrs. HECKLER].

Mrs. HECKLER of Massachusetts. Mr. Chairman, I am disappointed that partisanship has been introduced into the debate, because certainly the concept of truth in lending, I feel, is too important for partisan considerations.

I should like to bring to the attention of my colleagues the experience in Massachusetts with a State law which is similar to the proposals made by Mrs. SULLIVAN.

The Massachusetts truth-in-lending law, which has been in effect for the past 1 year, has contributed to the following results:

Massachusetts recorded a 3-percent increase in retail sales, a large portion of which involved credit, whereas retail sales in all of New England have risen by merely 1 percent. This fact is especially significant since personal income in Massachusetts grew at a slower rate than in other New England States.

The CHAIRMAN. The time of the gentlewoman has expired.

(By unanimous consent, Mr. PATMAN yielded his time to Mrs. HECKLER of Massachusetts.)

Mrs. HECKLER of Massachusetts. Mr. Chairman, during the same period after enactment of the Massachusetts law, consumer credit rose 5 percent at commercial banks and 43 percent at savings banks.

Full disclosure of credit terms including revolving credit provides the Massachusetts purchaser with a far greater ability to truly shop for a bargain. Bargain hunting is a tradition among American women, and, as a matter of fact, the Massachusetts truth-in-lending law was substantially assisted by the strong support of the Massachusetts Federation of Women's Clubs.

As an American woman in this Congress, I feel that we should come to the aid of every American consumer who shops in the marketplace by enacting a fair and workable disclosure law.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. WYLIE].

(Mr. WYLIE asked and was given permission to revise and extend his remarks.)

Mr. WYLIE. Mr. Chairman, I voted "no" on this bill in committee. As a matter of fact, I cast the lone dissenting vote. This does not mean that I am against truth in lending. I am for truth in lending, but I am not for either position which has been stated here and which are now being debated.

Members can understand my confusion when I had to listen to this argument for 2 weeks. After the 2 weeks I decided that we want uniformity, of course, so the American consumer can compare. But on the other hand, I think the revolving credit people do have a point in that they cannot comply with an annual rate disclosure provision.

So, at the end of the reading of this section, I will offer an amendment which will require everyone to disclose on a uniform monthly rate basis, and if Members are confused and want another place to go, and want uniformity in disclosure, and want to provide for the revolving credit people, who do have a legitimate argument, they can support my amendment.

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. FINO].

Mr. FINO. Mr. Chairman, the gentleman from Missouri [Mr. JONES] earlier today expressed confusion regarding the committee amendment. He was at a loss to understand why a majority of Democrats had voted for this committee amendment. I just want the Members of this House to know that this bill was reported out of committee by a vote of 30 to 1, and the only objector was the gentleman from Ohio [Mr. WYLIE], a Republican.

Also, I want to bring to the attention of Members of this House that on a record vote in the Senate, the exact provisions of this bill were adopted by a vote of 92 to 0.

All of the Democrats in the Senate voted in favor of this legislation.

I also want to bring to the attention of the House the fact that the President of the United States, in his state of the

Union message here in this Chamber, praised the Senate passed truth-in-lending bill.

The CHAIRMAN. The time of the gentleman from New York has expired.

The Chair recognizes the gentleman from Wisconsin [Mr. REUSS].

Mr. REUSS. Mr. Chairman, I rise in opposition to the committee amendments, and in support of the Sullivan-Patman position that revolving credit should be included under the bill we have before us.

There are two good reasons why it should be included.

In the first place, if we are to write a meaningful bill, we must make it apply to revolving credit as well as to other forms of credit.

In the second place, in the interest of equity, we would be dealing unfairly with the great majority of the lending community if we allowed the exception for revolving credit to remain in the bill.

Mr. Chairman, the moment of truth in lending approaches. I hope the committee amendments will not be agreed to.

The CHAIRMAN. All time has expired.

The question is on the committee amendments on page 13, line 12; page 13, line 13; and page 14, lines 10 and 11. The question was taken; and the Chairman announced that the noes appeared to have it.

Mr. HANNA. Mr. Chairman, I demand tellers.

Tellers were refused.

Mr. FINO. Mr. Chairman, I demand a division.

The question was taken; and on a division (demanded by Mr. FINO) there were—ayes 19, noes 131.

So the committee amendments were rejected.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 14, line 16, after "determined", insert a period and the following: "If such a balance is determined without first deducting all payments during the period, that fact and the amount of such payments shall also be disclosed."

Mr. BINGHAM. Mr. Chairman, I rise in support of the amendment.

This is a very simple amendment, which I had the honor to present in the committee and which is intended to bring out additional disclosure. There are, as Members have heard, different ways of calculating the revolving credit accounts. Some firms do not give credit for payments made during the month in calculating the monthly interest charge.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. BINGHAM. I will be glad to yield.

Mr. PATMAN. The majority members favor the gentleman's amendment.

Mr. BINGHAM. Mr. Chairman, I do not think there is much controversy about this amendment, which was approved overwhelmingly by the committee. It is for the purpose of protecting those firms such as Penney's—and we have heard about them here today and yesterday—who do give credit for payments made during the month in calculating the monthly interest charge. Certain other firms calculate the month-

ly interest charge at the end of the month on the balance as it existed at the opening of the month. In other words, they do not give credit for payments made on the account during the month. All this amendment does is this: it says that if it is their practice that they do not give credit for payments made during the month, in calculating the monthly interest charge, they should disclose that fact to the consumer.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 15, after line 4, insert the following: "(5) Any creditor under an open end credit transaction shall furnish any party to the transaction with a written estimate of the approximate annual percentage rate of the finance charge on the transaction determined in accordance with regulations issued by the Board, if the party making the request specific or identifies the repayments schedule involved and such other essential credit terms as may be prescribed in the regulations issued by the Board."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 16, strike line 19 and all that follows down through line 19 on page 18, and insert the following:

"(1) If a creditor, in order to aid, promote, or assist directly or indirectly, any consumer credit sale, loan, or other extension of credit subject to the provisions of this section, other than an open end credit plan, states or otherwise represents in any advertisement—

"(1) the rate of the finance charge, the advertisement shall state the rate of the finance charge expressed as an annual percentage rate; or

"(2) the amount of an installment payment or the dollar amount of finance charge, the advertisement shall state:

"(A) the cash price or the amount of the loan, as applicable;

"(B) the downpayment, if any;

"(C) the number, amount, and due dates or period of payments scheduled to repay the indebtedness if such credit were extended; and

"(D) the rate of the finance charge expressed as an annual percentage rate.

The provisions of this subsection shall not apply to advertisements of residential real estate except to the extent that the Board may by regulation require.

"(J) No creditor, in order to aid, promote, or assist, directly or indirectly, the extension of credit under an open end credit plan may state or otherwise represent in any advertisement any of the specific terms of that plan unless the advertisement clearly and conspicuously sets forth—

"(1) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;

"(2) the method of determining the balance upon which a finance charge will be imposed;

"(3) the method of determining the amount of the finance charge (including any minimum or fixed amount imposed as a finance charge), and the annual percentage rate; and

"(4) the conditions under which any other charges may be imposed, and the method by which they will be determined.

"(k) No creditor may state or otherwise represent in any advertisement

"(1) that a specified periodic credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payments or installments for that period and in that amount; or

"(2) that a specified downpayment is required, unless the creditor usually and customarily arrange downpayments in that amount.

"(l) For the purposes of subsections (i), (j), and (k), a catalog or other multiple-page advertisement shall be considered a single advertisement if the catalog or other multiple-page advertisement clearly and conspicuously displays a credit terms table on which the information required to be stated by subsections (i), (j), and (k) is clearly set forth.

"(m) The prohibitions and requirements of subsections (i), (j), (k), and (l) of this section shall apply only to a creditor or his agent directly or indirectly causing the publication or dissemination of an advertisement and not to the owner, employees, or distributors of the medium in which the advertisement appears or through which it is disseminated."

SUBSTITUTE AMENDMENT OFFERED BY
MR. WYLIE

Mr. WYLIE. Mr. Chairman, I offer a substitute amendment for the committee amendment.

The Clerk read as follows:

Substitute amendment offered by Mr. WYLIE for the committee amendment: On page 16, strike lines 19 through 25, and insert:

"(1) (1) Subject to paragraph (2)—

"(A) whenever an annual percentage rate is required to be disclosed by this section, such rate may be expressed either as a percentage rate per year, or as a dollars per hundred per year rate of the average unpaid balance; and

"(B) whenever a rate other than an annual rate is used to compute a finance charge and is required to be disclosed under subsection (d), such rate may be expressed either as a percentage rate per period of the balance upon which the finance charge is computed, or as a dollars per hundred per period rate of such balance.

"(2) On and after January 1, 1970, all rates required to be disclosed by this section shall be expressed as percentage rates."

(Mr. WYLIE asked and was given permission to revise and extend his remarks.)

Mr. WYLIE. Mr. Chairman, there are some people who feel that, perhaps, the Federal Government should not be involved in this business of truth in lending and, perhaps, that the matter should be left to the individual States. However, in my opinion, it is proper Federal legislation. Yet we have just adopted an amendment here which in effect deletes the committee provision which would have provided an exception for revolving credit as rates could be disclosed on a monthly rate basis. We have now provided that everyone must disclose this information upon an annual rate basis.

Mr. Chairman, the purpose of this amendment—and this amendment was contained in the original bill which was introduced by the distinguished gentlewoman from Missouri [Mrs. SULLIVAN] when it was originally introduced and was adopted by the other body—the purpose of this amendment is to avoid conflicts with State usury laws. In some States—and the State of Ohio is one—small loan legislation has been passed which will allow rates to be disclosed

upon a dollars-per-hundred rate basis. This type of credit disclosure sprung up when it was revealed that disclosure of the interest rate was limited by usury statutes to an unrealistic extent. Under the provisions of this substitute amendment an interest rate may be expressed either as a percentage or as a dollars-per-hundred rate upon the average of the unpaid balance.

This amendment was adopted in the Senate bill. It allows creditors time within which to comply with the law which we expect to pass here today. However, in some of the States there is a constitutional provision wherein immediately compliance with the provisions of an annual rate disclosure bill will cause a hardship.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. WYLIE. I yield to the chairman of the committee.

Mr. PATMAN. I believe the gentleman is mistaken about this. This bill only involves the rate of credit charges, not interest. It does not involve usury laws.

The gentleman from Ohio stated that the legislation would of necessity cause the respective legislatures to conform with this law. In my opinion the gentleman is mistaken, and I wish he would reevaluate his position. It is my opinion that the gentleman's reasoning with respect to that question does not apply to usury laws, but just to credit charges.

Mr. WYLIE. Mr. Chairman, I think it could, with all due respect to the statement which has just been made by the gentleman from Texas [Mr. PATMAN]. In the State of Ohio we have a usury law. However, we know that some companies charge on a dollars-per-hundred basis as exception to the usury statute to meet a need in the small loan field. The manner in which they avoid the provision of the law is to provide for disclosure upon a dollars-per-hundred rate. That is the point I am making. In other words, if they have to convert from a dollars-per-hundred rate to a percentage rate, many companies may be violating certain State usury laws and even constitutional requirements in other States.

As I say, this was in the original bill which was introduced by the gentleman from Texas [Mr. PATMAN] and the distinguished gentlewoman from Missouri [Mrs. SULLIVAN]. The reason it was taken out in committee—and it was done by a voice vote—was because it had to be put into effect prior to July 1, 1968, which might be before the effective date of this law, and it could not be complied with.

I am suggesting this change so that States and financial institutions have until January 1, 1970, to comply with it. It is a very simple amendment. I believe it is a wise amendment. I believe it is a prudent amendment. I believe that the chairman of the committee, as well as the chairman of the subcommittee should agree with it and accept it.

Mr. GONZALEZ. Mr. Chairman, will the gentleman yield?

Mr. WYLIE. I yield to the gentleman from Texas.

Mr. GONZALEZ. Mr. Chairman, I would state to the gentleman that I believe his view has been anticipated on

page 25 of the bill. Would not that section be applicable? Would not that section render the amendment offered by the gentleman moot?

On page 25 it says:

This title shall not otherwise be construed to annul, alter or affect in any manner the meaning, scope or applicability of the laws of any State. . . .

And so forth.

Mr. WYLIE. Mr. Chairman, in response to the gentleman I would say that I do not believe that is specific enough. I want it to apply specifically to rates per \$100. I would say to the gentleman from Texas [Mr. GONZALEZ] that that goes part of the way, but this goes all of the way.

Mr. GONZALEZ. Mr. Chairman, I would state to the gentleman that it says:

. . . types, amounts or rates of charges, or any element or elements of charges,

Mr. WYLIE. I understand that, but if the gentleman will recall, in committee the only reason this was turned down was that the effective date was to be before the enactment of this law, and I am saying that we should give the States a little further time to comply with the provision requiring conversion to a percentage on an annual basis.

I urge support of the substitute amendment.

Mrs. SULLIVAN. Mr. Chairman, I rise in opposition to the substitute amendment.

I would like to say first that the language in the original bill containing the date of July 1, 1968, was only put in to conform with the language of the Senate bill without having the substantive effect of the Senate provision. We did not want to authorize dollars per hundred per year beyond the date when my bill was to become effective, so that it would have no meaning after July 1, 1968. It was a technical drafting matter only.

But, Mr. Chairman, I am afraid of the language in the Senate provision, which permits sellers or lenders until January 1, 1972, to avoid using an annual percentage rate, and instead use a figure representing dollars per hundred per year. That is why we took it out entirely in my bill as amended.

The lawyers say this term of dollars per hundred, and so forth, is supposed to mean the same thing as a percentage rate, and is a subterfuge intended to avoid any conflict with State usury laws. But it is unnecessary.

Our bill and the committee report both make it abundantly clear that the finance charge percentage rate required by the bill is not an "interest rate" under State usury laws. But we are told that perhaps—maybe—some State court, somewhere, some day, might rule otherwise.

Therefore this amendment—which I oppose—would postpone until January 1, 1970—nearly 2 years from now—the effectiveness of the requirement that creditors reveal to the borrower, or buyer, the percentage rate of the finance charge. The purpose would be to give all the State legislatures time within which to amend their State usury laws to make it clear—absolutely and completely clear—that the disclosure required un-

der the Federal law does not place a creditor in the position of being guilty of violating a State law.

I do not know what we can say that we have not already said to assure those who worry about this point that they have nothing to fear. If they did, the Supreme Court undoubtedly would knock out this provision of the Federal statute.

On the other hand, just think what this amendment would do to the consumer's attempt to try to understand interest rates and credit charges. They are so confused now by such terms as "add-on," "discount," "dollars per hundred on the original amount," "dollars per hundred on the unpaid balance," "dollar add-on per contract," "dollar add-on per year," "dollars per hundred per year on the average unpaid balance," "interest rate," "merchandise add-on," "points," "precomputation," "graduated rates," "step rates," "time-price differential," "yield," and all the rest of these methods of expressing rates that, until 1970, we would not be able under this language to help them learn what the actual percentage rate is or means.

If "dollars per hundred per year on the average unpaid balance" means exactly the same as the percentage rate, and comes out always to exactly the same figure, how could one be considered interest, and the other not, as long as they refer to exactly the same transaction?

Mr. Chairman, I urge defeat of this amendment.

Mr. WYLIE. Mr. Chairman, will the gentlewoman yield?

Mrs. SULLIVAN. I yield to the gentleman from Ohio.

Mr. WYLIE. It sounded as if the gentlewoman were making a statement in favor of my amendment. I understood the gentlewoman to say she opposed it.

Would this not serve to clear up some of the confusion and give the people who have this form of credit disclosure on the dollar-per-hundred-rate basis, would it not give them a chance to educate their customers, customers who have been dealing with them over these many years?

There are some 20 States that have this type of credit financing.

Mrs. SULLIVAN. They can just go ahead and use this term as long as they also give the annual percentage rate—but not instead of the percentage rate. They can use it exclusively only until this law becomes effective, which is 9 months from enactment. Why require everyone else to learn what this strange term means, if it is not going to be continued after a few years? Everybody knows what the annual percentage rate means compared to this strange term of "dollars per hundred per year on the average unpaid balance." You are making them learn a brandnew term.

Mr. WYLIE. All right. That is all that I am saying. That is the same thing I am suggesting.

Mrs. SULLIVAN. They can use that if they want to, but do not make the others use it if they do not use it now.

[Mr. BROCK addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.]

Mr. PATMAN. Mr. Chairman, I rise in opposition to the amendment. My reasons

are as follows: First, the language of the amendment is the same language that is in the Senate bill. If we adopt the amendment and we see that we have made a mistake, we shall have tied our hands and we would have no way of changing it. But if we leave the language as it is, since the provision is in the Senate bill anyway, the subject will be considered in conference.

Mr. Chairman, this is a very involved question. I doubt that we can intelligently pass upon a question of this kind after consideration of the matter during 5-minute debate. I do not think we can do it. Therefore, I urge the gentleman not to insist upon his amendment now. It will be considered in conference. If it is put into the bill, the hands of the conferees would be tied.

And remember this: It is well known in the other body—it is traditional—that they put provisions into bills merely for the purpose of controversy and to get something out of the other body, something that they can trade on. That has been done ever since we have had conferences. If we adopt such provisions of the Senate bill, the subject cannot be in conference and our hands would be tied by the action on something that we do not know too much about.

Why should we be fixing a date in advance, 2 years from now, or after the enactment of the bill? That does not look right. Leave the date as it is. The date in the bill is July 1, 1968, or 9 months after the enactment of the bill—9 months after the enactment of the bill. That sounds pretty reasonable. But if we are delayed in the enactment of the bill and wish to change that provision, we will be at liberty to do so. We will have some flexibility. But when we adopt the same language adopted by the Senate, we have no flexibility and the hands of the conferees are tied. So I respectfully submit and urge the House to vote down this particular amendment.

Mr. WYLIE. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Ohio.

Mr. WYLIE. You have suggested that this is the same language. I submit, Mr. Chairman, it is not identical language. I would agree that the substance is the same.

Mr. PATMAN. That is the main idea. If the substance is the same, your hands are tied.

Mr. WYLIE. I believe our language is an improvement over the Senate language, even though it does the same thing. The big difference is that in the Senate amendment the date is July 1, 1972. I think that is a little bit too long. I think we ought to have an area of negotiation and maybe make it July 1 of 1970. But I do think they have a point. If we do not adopt my amendment, I am afraid it will all be knocked out in conference, because the conflict then would be on the date, January 1, 1972, or nothing.

Mr. PATMAN. I am afraid the proposal of the gentleman would tie the conferees' hands and do a great disservice to this legislation. I hope the amendment will be defeated.

The CHAIRMAN. The question is on

the substitute amendment for the committee amendment offered by the gentleman from Ohio [Mr. WYLIE].

The question was taken; and on a division (demanded by Mr. WYLIE) there were—ayes 38, noes 78.

So the substitute amendment was rejected.

The CHAIRMAN. The question is on the committee amendment, on page 16 line 19.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 21, strike lines 7 through 16.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 24, line 15, strike "conduct" and insert "consult".

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 26, line 6, after "section 203", insert "(except sections 203(i), 203(j), and 203(k))".

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 28, strike line 9 and all that follows down through line 6 on page 37 and insert the following:

"ADMINISTRATIVE ENFORCEMENT

"SEC. 207. All of the functions and powers of the Federal Trade Commission are applicable to the administration and enforcement of this title to the same extent as if this title were a part of the Federal Trade Commission Act, and any person violating or threatening to violate any provision of this title or any regulation in implementation of this title is subject to the penalties and entitled to the provisions and immunities provided in the Federal Trade Commission Act, except as follows:

"(1) The exceptions stated in section 5(a)(6) of the Federal Trade Commission Act (15 U.S.C. 45(a)(6)) are not, as such, applicable to this title.

"(2) No bank or thrift institution is subject to the jurisdiction of the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title if the bank or institution is subject to section 5(d) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(d)), section 407 of the National Housing Act (12 U.S.C. 1730), or section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818). The Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation) shall enforce this title and regulations in implementation thereof with respect to banks and other institutions under their respective jurisdictions.

"(3) No common carrier subject to the acts to regulate commerce is subject to the jurisdiction of the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title. The Interstate Commerce Commission shall enforce this title and regulations in imple-

mentation thereof with respect to such carriers.

"(4) No air carrier or foreign air carrier subject to the Federal Aviation Act of 1958 is subject to the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title. The Civil Aeronautics Board or the Federal Aviation Administration, as may be appropriate, shall enforce this title and regulations in implementation thereof with respect to any such carrier.

"(5) Except as provided in section 406 of the Act of August 15, 1921 (7 U.S.C. 227)—

"(A) no person, partnership, or corporation subject to the Packers and Stockyards Act, 1921 is subject to the jurisdiction of the Federal Trade Commission or to the provisions of that Act with respect to this title, and

"(B) the Secretary of Agriculture shall enforce this title and regulations in implementation thereof with respect to persons, partnership, and corporations subject to the Packers and Stockyards Act, 1921."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 39, line 14, strike "210" and insert "208".

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 40, line 2, strike "211" and insert "209".

SUBSTITUTE AMENDMENT OFFERED BY
MR. STEPHENS

Mr. STEPHENS. Mr. Chairman, I offer a substitute amendment for the committee amendment.

The Clerk read as follows:

Substitute amendment offered by Mr. STEPHENS for the committee amendment: On page 40, line 2, strike all of the committee amendment from line 2 through line 5, and insert in lieu thereof the following: "Sec. 209. The provisions of this title shall take effect July 1, 1969, except that section 204 shall take effect immediately."

Mr. STEPHENS. Mr. Chairman, my amendment says that the effective date of any act passed will be July 1, 1969, instead of the present proposal by the committee, which says it will be 9 months after the effective date of the act.

The purpose, of course, is the anticipation that if this act is passed this year, more time will be needed for the regulations to be promulgated by the Federal Reserve Board. At the time when this matter was brought up in the Senate hearings, Governor Robertson of the Federal Reserve said, in his written statement, that not later than 1 year after the enactment of the act would give them sufficient time.

On inquiry, he said that really they ought to have perhaps 2 years' time. He specified the fact that it would take at least 3 months to write the regulations, and 9 months thereafter to inform the agencies of the proposals and educate the public on the regulations.

I ask that this be put in. When the Senate bill was passed that provision—to put it a year off for the regulations—was among the Senate provisions. This would do the same as the Senate pro-

posed, and it would conform to the request of the people who will have to write the regulations.

I believe the Members have seen it is going to take a good length of time to write these regulations, because we have before us a very complicated set of facts.

Let me point out now that we do not have a compromise bill. I have heard it said several times that we have a compromise bill. We do not have a compromise bill, because when we passed the bill out of the committee the banks, the institutions that use installment credit such as the furniture stores that use installment credit, all said that what we voted out was relatively unfair to them because they were put at a disadvantage in that they could not put their rates on a monthly basis.

On the other hand, when we changed that just a little while ago by rejecting the committee amendment, we are in the position of requiring those who are using revolving credit to tell a lie.

We have not compromised those two divergent ideas in any proposals that have been made. As a result, I have not been convinced by anyone that I should vote for either side of the matter, since we have failed actually to compromise this and to bring forth a bill that will not require someone to tell a lie or will not put someone on the other side at an unfair disadvantage.

If we could get those two together, then we could have a truth-in-lending bill.

How can I go home to brag about passing any kind of truth-in-lending bill if it requires people to tell something that is not true? How can I support legislation that gives a competitive disadvantage in the field of credit or in lending money, on the other side of the picture?

I cannot brag about either one.

However, to get back to my amendment, if we are going to have a bill, then let us give the people who are going to draft the rules and regulations enough time to do so. Let us do that ourselves, since this is a very complicated matter.

If there is the purpose in this legislation of educating the public, I am not so sure that we have educated the public by it. From the debate we have had, we have not even educated each other here yet.

If we are going to educate the public, we can educate the public by having a bill that is not as controversial as this bill has been.

I repeat, I cannot support a bill that, considering both sides, is one which does not require truth in lending or requires disclosures that are an unfair competitive disadvantage on the other side.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. STEPHENS. I am glad to yield to the gentlewoman from Missouri.

Mrs. SULLIVAN. I wish to say to the gentleman that I should be glad to agree in conference—not here, but in conference—to the Senate date, if we could at the same time get the Senate to go along with us on the two very important amendments that we were able to delete today from the bill; that is, the revolving credit and the \$10 exemption.

Mr. STEPHENS. I appreciate that.

Mrs. SULLIVAN. It would give us something to trade with.

Mr. STEPHENS. I appreciate that position. My position is I believe we have enough to trade with as it is. In fact, we have more than we need to trade with.

I will conclude by saying that I want to thank the gentlewoman from Missouri [Mrs. SULLIVAN] for her handling of this matter. She and I have not agreed on many points, but nevertheless she has done a great job of bringing this legislation before the committee. At least we have discussed it and even, as my chairman and she cited, I have voted with the Republicans on most points in this legislation. I have done so because I thought my vote was right, not because it was a party matter.

Mr. PATMAN. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Georgia [Mr. STEPHENS]. His amendment would make this bill effective 17 months from now. We do not know whether it will become law in February, in July, in August, or in September. We just do not know. So I think the sensible approach to this is to leave the date in here just as we have it. Then, if this bill is passed on by the conferees and it is ready for enactment, we can agree on the date with the knowledge and the intelligence that I think we can use then, because we just cannot foresee what the situation will be then. Therefore, I think we should defeat this amendment and keep in mind what the amendment is. It is possible it should be enacted if the bill is delayed so long, but if it is passed real soon, it would be a very unreasonable amendment.

Mr. Chairman, may I also say that the State of Massachusetts has a good disclosure-of-credit or truth-in-lending law. They provided 90 days as the period in which it would become effective, and they had no problem of any kind whatsoever. With the servicemen of this country running into the millions, the Department of Defense felt it was obligated to and it was obligated to make rules and regulations about the granting of credit from different concerns to servicemen. This was another truth-in-lending bill. It provided for 90 days in which to become effective. Nobody complained about that. It was found to be entirely satisfactory.

Now, Mr. Chairman, here we have two outstanding examples. One is in a State which has the only successful truth-in-lending legislation on its books. This went into effect in 90 days. Here we have another piece of legislation involving all of the servicemen all over the world which went into effect in 90 days also. Nobody complained about that. Since we have these two outstanding examples, let us have an opportunity to take this to conference. You know we will do what we believe it is right to do under the circumstances. I hope under the circumstances that the amendment is defeated.

I have a high regard for the gentleman from Georgia [Mr. STEPHENS]. I dislike to oppose anything he proposes in opposition to this, but I feel that it is in the public interest to do so and that we would be acting hastily and without full

knowledge and information if we were to do otherwise.

Mr. STEPHENS. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. Yes. I yield to the gentleman from Georgia.

Mr. STEPHENS. I realize the recitation that the gentleman made about the other legislation that had been enacted, but they drew no opposition, while what we are proposing here does have the opposition of the people from the Federal Reserve, who will have to write the rules and regulations.

The CHAIRMAN. The question is on the substitute amendment for the committee amendment offered by the gentleman from Georgia [Mr. STEPHENS].

The substitute amendment was rejected.

The CHAIRMAN. The question is on the committee amendment on page 40, line 2.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 40, line 3, strike "July 1, 1968" and insert the following: "on the first day of the ninth calendar month which begins after the date of enactment of this title, except that section 204 shall take effect immediately."

The committee amendment was agreed to.

AMENDMENT OFFERED BY MR. WYLIE

Mr. WYLIE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WYLIE: On page 6, line 19, strike "annual" and insert "monthly".

On page 6, line 21, strike "annual" and insert "monthly".

On page 7, line 19, strike "annual" and insert "monthly".

On page 7, line 22, strike "year" and insert "month".

On page 8, line 1, strike "annual" and insert "monthly".

On page 8, line 2, strike "annual" and insert "monthly".

On page 10, line 16, strike "an annual" and insert "a monthly".

On page 11, lines 8 and 9, strike "annual" and insert "monthly".

On page 12, line 1, strike "an annual" and insert "a monthly".

On page 12, line 18, strike "annual" and insert "monthly".

On page 13, line 15, strike "annual" and insert "monthly".

On page 22, line 7, strike "annual" and insert "monthly".

On page 22, line 9, strike "an annual" and insert "a monthly".

On page 22, line 20, strike "annual" and insert "monthly".

On page 22, strike line 20 and all that follows through page 23, line 2, and redesignate the succeeding paragraphs (2), (3), and (4) as (1), (2), and (3).

On page 22, line 25, strike "an annual" and insert "a monthly".

On page 23, line 7, strike "annual" and insert "monthly".

On page 23, line 11, strike "annual" and insert "monthly".

On page 23, line 14, strike "annual" and insert "monthly".

On page 25, line 14, strike "annual" and insert "monthly".

Mr. PATMAN (during the reading). Mr. Chairman, in view of the fact that this proposed amendment goes throughout the various sections of the bill and proposes to change "annual" to "monthly," and since I have discussed this matter with the minority leadership just a few moments ago, and since that is their understanding, therefore, that being correct, I ask unanimous consent that further reading of the amendment be dispensed with, and that it be printed in the RECORD at this point.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

(Mr. WYLIE asked and was given permission to revise and extend his remarks.)

Mr. WYLIE. Mr. Chairman, this is the amendment which I have suggested I would introduce all along and which would provide for uniform disclosure on a monthly rate basis.

Mr. Chairman, we have heard arguments presented here on the floor of the House by the distinguished gentleman from California [Mr. HANNA], the distinguished gentleman from New Jersey [Mr. WIDNALL], the distinguished gentleman from Pennsylvania [Mr. WILLIAMS], the distinguished gentleman from Georgia [Mr. STEPHENS], and others on revolving credit. I only wish that the two sides in this argument could have gotten together.

Mr. Chairman, this amendment will afford an opportunity for the two sides to get together. The other body during its consideration of this legislation recognized the fact that there is a difference in the types of credit which are extended to the public. There is a difference in installment credit or closed-end credit, which is done on a contractual basis and the revolving credit procedure which is performed upon a noncontractual basis or upon an open-end-type basis.

Mr. Chairman, revolving credit is the type one uses when one goes into a department store or into a retail store, and says, "Charge it to my account." If one pays this account within the month, in most cases, there is no charge for interest.

To say that the revolving credit people must disclose upon an annual rate basis is not in my judgment truth in lending. If we say that they must disclose by saying that "we charge 1.5 percent per month and you multiply that by 12, which gives you 18 percent," that is not truth in lending.

I say this because we find that with reference to most of these stores they do not charge an interest rate of 18 percent. As a matter of fact, testimony was received before our committee that none of them charge as much as 18 percent. In one instance, Penney's over a period of years has averaged an interest charge of 6 percent to 7 percent. This is because they have a more sophisticated operation called the "first-in, first-out" system of credit.

In other words, if you go into a store and you charge something to your account at the beginning of the month, say,

\$100, and in the middle of the month you pay off \$50, and near the end of the month you go back in and charge another \$50, you are only charged for the \$50. It does not go back to the beginning of the month; it does not go back to the unpaid balance, but you get 30 days on all credit extended.

So you can see it would be impossible to figure up on that basis what the true annual rate would be in advance.

Now, we want consumers to know what the rate would be in advance. We want consumers to have a chance to compare, we want consumers to have a chance to compare between one seller and another seller. We want them to be able to compare between one lender and another lender.

I believe after hearing the testimony in committee for 2 weeks that this is a compromise that many of you have been searching for.

Now, the only argument that I have heard against my amendment is the fact that the people in the United States have been educated to an annual interest rate. Well, that is on borrowing, and this is not a truth-in-borrowing piece of legislation that we are talking about today; this is truth in lending. People get paid on a monthly basis. The family budget is made on a monthly basis. People pay their bills on a monthly basis. Revolving credit people charge on a monthly basis. I believe it is time that if the people of this country are not educated to the fact that they are paying interest on a monthly rate basis, that they now be educated. And if they are still thinking in terms of an annual rate, I believe it is long since past the time when we should let them know that they are paying interest usually on a monthly rate basis.

Now, as I said before, I believe there is something to be said for uniformity. At the same time, I note this exception which the Senate noted, and which passed in the Senate by a vote of 92 to nothing. Many people have suggested that we are attempting by this process, if we can, to protect the small people, to protect the small businessmen. Now, the small businessmen cannot put together a sophisticated system of revolving credit used now by many retailers, and they cannot buy a set of computing machines and figure up their rate of interest in advance.

So, Mr. Chairman, I suggest that my amendment would comply with the needs of everyone, and would protect the small businessmen, and would be uniform, and everybody—and especially the consumer—would know what they are getting in advance.

Mrs. SULLIVAN. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I would say that this is the revolving credit exemption which was defeated earlier, but now it is multiplied by 20. Instead of applying to 5 percent of outstanding credit, as the revolving credit exemption would have done, this applies to 100 percent of all consumer credit.

I call the attention of the Members to the supplemental views beginning on

page 106, and ask them to look at page 109 where we talk about this particular issue of a monthly rate across the board. We say:

However, while this might seem to solve the problem of competition among sellers and lenders, it would certainly solve nothing for the consumer, unless we were at the same time to revolutionize the entire system of finance in the United States to require also that bank deposit interest be stated as one-third of 1 percent a month rather than 4 percent a year, and mortgages, stock dividends, savings and loan shares, Treasury and private bonds, and all other money rates customarily stated on an annual rate basis be required to be stated on a monthly basis.

The only thing I can use as an example, Mr. Chairman, is that, when we invest money, or put money in a savings account, we know we are going to get a return on an annual basis of 4 percent or 5 percent or 6 percent, or whatever the rate might be. When you put the money in, this is what they tell you. But when you get money from them—when you borrow—the consumer has to know on that same basis of an annual rate in order to know intelligently what the credit is costing him. You have to express it to him in the same rate concept as the annual percentage, rather than the monthly rate. What goes in is expressed annually. But what you take out when you borrow, to use someone else's money for the things you want to buy, the rate should be expressed in the same manner, and that is on an annual percentage rate.

Mr. Chairman, I oppose this amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. WYLIE].

The amendment was rejected.

Mr. WILLIAMS of Pennsylvania. Mr. Chairman, I ask unanimous consent to offer an amendment to the committee amendment at page 18, line 20.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

Mr. PATMAN. Mr. Chairman, reserving the right to object, would the gentleman explain his request?

Mr. WILLIAMS of Pennsylvania. I have asked for unanimous consent to return to the committee amendment on page 18, line 20, and offer an amendment to the committee amendment.

Mr. PATMAN. We have no objection. I think we will favor the amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

AMENDMENT TO THE COMMITTEE AMENDMENT ON PAGE 18, LINE 20, OFFERED BY MR. WILLIAMS OF PENNSYLVANIA

The CHAIRMAN. The Clerk will report the amendment to the committee amendment.

The Clerk read as follows:

Amendment offered by Mr. WILLIAMS of Pennsylvania, to the committee amendment: On page 18, strike line 20 and all that follows through page 20, line 9, and insert:

"(1) (1) This subsection applies to any advertisement to aid, promote, or assist directly or indirectly any consumer credit sale, loan, or other extension of credit subject to the provisions of this section, other than an open end credit plan.

"(2) If any advertisement to which this subsection applies states the rate of a finance charge, the advertisement shall state the rate of that charge expressed as an annual percentage rate.

"(3) If any advertisement to which this section applies states the amount of an installment payment or the dollar amount of a finance charge, the advertisement shall state:

"(A) The cash price or the amount of the loan as applicable.

"(B) The downpayment if any.

"(C) The number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended.

"(D) The rate of the finance charge expressed as an annual percentage rate.

"(4) The provisions of this subsection do not apply to advertisements of residential real estate except to the extent that the Board may by regulation require.

"(J) (1) This subsection applies to any advertisement to aid, promote, or assist directly or indirectly the extension of credit under an open end credit plan.

"(2) No advertisement to which this subsection applies may set forth any of the specific terms of that plan unless it also clearly and conspicuously sets forth:

"(A) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge.

"(B) the method of determining the balance upon which a finance charge will be imposed.

"(C) the method of determining the amount of the finance charge, including any minimum or fixed amount imposed as a finance charge.

"(D) the finance charge expressed as an annual percentage rate.

"(E) the conditions under which any other charges may be imposed, and the method by which they will be determined."

On page 20, strike line 25 and all that follows through page 21, line 6.

[Mr. WILLIAMS of Pennsylvania addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.]

The CHAIRMAN. The question is on the amendment to the committee amendment offered by the gentleman from Pennsylvania [Mr. WILLIAMS].

The question was taken; and on a division (demanded by Mr. BROCK) there were—ayes 42, noes 51.

So the amendment to the committee amendment was rejected.

AMENDMENT OFFERED BY MR. WIDNALL

Mr. WIDNALL. Mr. Chairman, I offer an amendment. The Clerk read as follows:

Amendment offered by Mr. WIDNALL: On page 11, after line 11, insert:

"Where a creditor mails or otherwise transmits monthly or other periodic bills or statements in connection with any sale to which this subsection is applicable, each such bill or statement shall set forth, to the extent applicable, the items described in subsection (d) (3) of this section, except that if the credit is extended for a period of five years or more, the items described in subsection (d) (3) need not be set forth more than once in each calendar year."

On page 12, immediately after the period in line 23, insert:

"Where a creditor mails or otherwise transmits monthly or other periodic bills or statements in connection with any extension of credit to which this subsection is applicable, each such bill or statement shall set forth, to the extent applicable, the items described in subsection (d) (3) of this section, except that

if such credit is extended for a period of five years or more, the items described in subsection (d) (3) need not be set forth more than once in each calendar year."

(Mr. WIDNALL asked and was given permission to revise and extend his remarks.)

Mr. WIDNALL. Mr. Chairman, my amendment is simple and straightforward. It would require essentially the same disclosure of the same information on the monthly statements or bills sent to people who have made purchases under a straight installment plan.

In the bill as reported from committee, there were eight separate items of disclosure required for each billing cycle for open-end credit. In other words, a customer opening a revolving charge account would have to be told in advance certain matters of interest to him describing his debt obligation and then he would be retold and reminded of these matters on each and every monthly billing. With regard to installment debt, however, the bill as reported would only require disclosure of annual interest rate and dollar costs of finance charges prior to a customer making a purchase on installment. Thereafter, on any monthly bills, the store would be required to disclose absolutely nothing. I think we all recognize that most people do not pay attention to the fine print on an installment contract when they are in the process of making a purchase.

If this legislation will have any meaning whatsoever in terms of educating the public, it will occur either with regard to advertising or with regard to disclosure on a continuous and monthly basis.

During the debate we have heard much talk about "treat us all alike". We have heard much debate about so-called loopholes. Installment credit represents close to \$80 billion of the total \$100 billion in consumer debt outstanding, whereas open-end credit represents some \$3 billion. Yet, the disclosure requirements applying to open-end credit are far more comprehensive than those applying to installment credit. My amendment seeks to rectify this omission. Since the furniture dealers and others have pleaded with Congress to "treat us all alike" I think it is only fair that we heed their request. I do want to mention one additional matter. My amendment recognizes that in some cases, retailers who use installment credit do not send monthly bills to their customers but rather employ coupons which are torn off by the customer and sent into the store each month along with a check. My amendment would not disturb this nor would my amendment require a store to employ monthly bills on installment credit where none is presently used. Increasingly, however, retailers are treating their installment credit accounts similar to those under open end whereby both use a regular monthly bill to remind the customer of his obligations. Where monthly bills are sent, essentially the same disclosure of credit terms will have to be placed on the monthly installment bill. Without this amendment, it is safe to predict that more and more retailers will abandon the open-end credit and move to a computerized system of straight installment accounts employing

computerized monthly bills. We should all remember that straight installment contracts usually run for longer terms than open-end credit and are therefore much more expensive in dollar costs to the customer. If we want to treat all retail credit alike, the House will want to vote for my amendment.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from Texas.

Mr. PATMAN. Mr. Chairman, I have discussed this with the majority members of the committee, and we are willing to accept the amendment offered by the gentleman from New Jersey.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey.

The amendment was agreed to.

AMENDMENT OFFERED BY MR. SMITH OF CALIFORNIA

Mr. SMITH of California. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SMITH of California: On page 11, immediately after line 11, insert:

"If a credit sale is one of a series of credit sale transactions made pursuant to an agreement providing for the addition of the deferred payment price of that sale to an existing outstanding balance, and the person to whom the credit is extended has approved in writing both the annual percentage rate or rates and the method of computing the finance charge or charges, and the creditor retains no security interest in any goods sold as to which he has received payments aggregating the amount of the sales price including any finance charges attributable thereto, then the disclosure required by this subsection for the particular sale shall be made on or before the date of the first payment for that sale is due."

The CHAIRMAN. The Chair recognizes the gentleman from California [Mr. SMITH].

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. SMITH of California. I yield to the gentlewoman from Missouri.

Mrs. SULLIVAN. Mr. Chairman, I want to tell the membership we have discussed this amendment very thoroughly for the last several days with the gentleman from California [Mr. SMITH] and counsel on the committee. As long as it has provisions that will protect the consumer—this is quite detailed and Mr. SMITH will want to explain it—I think it is a good amendment and members of the committee are happy to accept it. However, I think the gentleman should explain just briefly what this will do.

Mr. SMITH of California. Mr. Chairman, I thank the gentlewoman.

Mr. Chairman, the purpose of the amendment is to make it a little easier for the seller and the buyer to comply with disclosure provisions of this bill, or possibly I should say to make it a little less difficult. If we have a large store—take Sears as an example—and around Christmas time a person wants to buy a set of furniture for the daughter, maybe a television set for the other child, and possibly a set of tires, and if he goes to three different departments, then he has to get the elevator and go to the credit department and stand in line and

wait for the computer, it could be very time consuming and annoying. The minimum time is 5 minutes for the computer to work after the customer gets to the credit window and the employee gets all of the facts. The customer might spend all day and never get the tires.

The stores want to comply and to provide the information they will have to provide. They will have to comply where the sale is made, in writing, where it says specifically the person to whom credit is extended has approved in writing both the annual percentage rate or rates and method of computing the charge or charges. I put in "rate or rates" and "charge or charges" because many States have good laws—California has a very fine law on disclosure—and the rates vary. If it is under \$100, or over \$500, up to \$1,000, rates vary, and I believe the maximum is 18 percent. So it might be a different rate on a different installment, depending on the balance due. That is why it is in there.

It will protect against the few unscrupulous stores that takes a lien on everything over a period of time. As I understand it, some store did locally do that, and the consumer pays and pays and pays, and if one payment is missed, the store takes all the installment materials back. This has language in it so that when the payments are made to take care of this contract for the furniture, and this on the television, and this on the tires, no lien applies in the future toward that particular item.

Subsequently all the details will be provided to the purchaser in writing, on or before the date of the first payment for the sale is due.

I believe this will help both the stores and the buyers, by making it a little more convenient for them to comply with the provisions of the statute.

I urge the adoption of the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. SMITH].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. POFF

Mr. POFF. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. POFF: On page 40, insert after line 5 the following new section:

"SEC. 102(a). The Congress makes the following findings:

"(1) Organized crime is interstate and international in character.

"(2) Organized crime is engaged directly in interstate and foreign commerce, as well as intrastate commerce, in loaning money and other valuable things at excessive rates of interest, often in conjunction with the use of force, violence, and fear. This so-called loan sharking business of organized criminals and other criminals involves billions of dollars each year.

"(3) The stability of the Nation's economy is affected by loan sharking activities.

"(4) The use of legitimate credit channels would be enhanced by the prevention of loan sharking activities.

"(5) The production and flow of goods in the Nation's economy is hindered by the diversion of money into excessive and confiscatory credit payments.

"(6) Federal programs designed to aid the poor in the United States are rendered less effective by loan sharking activities.

"(7) The diversion of money and assets into organized crime nullifies the purposes and benefits of a free enterprise economy and hinders the operations of Federal statutes and regulations designed to preserve that economy.

"(8) In order to protect commerce, benefit the national economy and assure the full effects of Federal programs designed to aid the poor and maintain a free enterprise system, it is the purpose of this Act to prohibit loans at excessive and prohibitive rates of interest.

"(9) Loan sharking activities directly impair the effectiveness and frustrate the purposes of the laws enacted by the Congress on the subject of bankruptcies.

"(10) Loan sharking activities impair the stability of the national economy and thereby interfere with the regulation of the value of money.

"b (1) Whoever in any way or degree obstructs, delays, or affects commerce or the movement of any article or commodity in commerce by loan sharking or attempts so to do shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

"(2) (A) Whoever travels in interstate or foreign commerce or uses any facility in interstate or foreign commerce, including the mail, with the intent to promote, manage, establish, carry on, or facilitate the promotion, management, establishment, or carrying on, of loan sharking, and (B) thereafter performs or attempts to perform any act described in the preceding clause, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

"(3) As used in this section—

"(A) The term 'loan sharking' means the lending of money at a rate of interest prohibited by the statutes of the State where the loan transaction takes place.

"(B) The term 'commerce' means commerce within the District of Columbia, or any Territory or possession of the United States; all commerce between any point in a State, Territory, possession, or the District of Columbia and any point outside thereof; all commerce between points within the same State through any place outside such State; and all other commerce over which the United States has jurisdiction.

"(4) Whoever knowingly participates in any way in a wrongful use of actual or threatened force, violence, or fear in connection with a loan or forbearance in violation of subsections (1) and (2) of this section, or attempted violation thereof, shall be fined not more than \$10,000 or imprisoned not more than twenty-five years, or both.

"(5) Whoever knowingly possesses, maintains, or exercises control over any paper, writing, instrument, or other thing used to record any loan or forbearance or any part of such transaction in violation of subsections (1) and (2) of this section shall be fined not more than \$5,000 or imprisoned not more than five years, or both.

"(c) The provisions of subsection (b) of this section do not apply to any extension of credit by a creditor which is both—

"(1) licensed or chartered as a banking or lending institution by the United States or any State, and

"(2) regulated and supervised as a banking or lending institution by the United States or any State.

"(d) Whenever in the judgment of a United States attorney the testimony of any witness, or the production of books, papers, or other evidence by any witness, in any case or proceeding before any grand jury or court of the United States involving any violation of this section, or any conspiracy to violate such section, is necessary to the public interest, such United States attorney, upon the approval of the Attorney General, or his designated representative, shall make application to the court that the witness shall be instructed to testify or produce evi-

dence subject to the provisions of this section, and upon order of the court such witness shall not be excused from testifying or from producing books, papers, or other evidence on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture. But no such witness shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, nor shall testimony so compelled be used as evidence in any criminal proceeding (except prosecution described in the next sentence) against him in any court. No witness shall be exempt under this section from prosecution for perjury or contempt committed while giving testimony or producing evidence under compulsion as provided in this section.

"(e) This Act shall not be construed as indicating an intent on the part of Congress to occupy the field in which this Act operates to the exclusion of a law of any State, territory, Commonwealth, or possession of the United States, and no law of any State, territory, Commonwealth, or possession of the United States, which would be valid in the absence of the Act shall be declared invalid, and no local authorities shall be deprived of any jurisdiction over any offense over which they would have jurisdiction in the absence of this Act."

Mr. PATMAN. Mr. Chairman, I make a point of order against this amendment.

The CHAIRMAN. The gentleman will state it.

Mr. PATMAN. It is not germane to this bill. This bill has provisions in it which would dovetail into some parts of our bill some commendable things on truth in lending and also some things that I would approve of. This bill, however, is six or seven pages long and this is the first time we have seen it in the last few minutes. You know, you cannot discuss a bill like this in 5 minutes. You cannot do it under the 5-minute rule.

This goes to the constitutional question of State law. It involves the Federal enforcement of State usury statutes and involves a lot of things like that which Members of this House are entitled to know something about. There really should be committee consideration of it. I hope that the gentleman will not insist upon this as an amendment, because it would certainly delay this bill and I do not believe the gentleman wants to use it just for the purpose of delay. I hope he will offer it as an amendment which will get consideration of the committee which it is referred to, and then we can intelligently approach the matter and evaluate it and determine whether or not we should pass legislation of this kind. Obviously it is not specifically germane to the bill we have before us today, and certainly it is not fair, although I do not like to use the word "fair" in a way which will reflect on the gentleman who offered it.

Mr. Chairman, I have no intention to say anything against the gentleman personally. However, we have heard about this amendment for a long period of time. Last December there was such an amendment introduced by the gentleman who has offered this one and by the distinguished gentleman from New Jersey [Mr. WIDNALL], both of which were referred to

the Committee on the Judiciary. I was told by the Committee on the Judiciary that no application has been made for a hearing upon these bills, no application has been made by the chairman to refer them to the different agencies in order to get their comments thereon, and absolutely nothing has been done upon them insofar as hearings are concerned.

And, Mr. Chairman, to bring this matter up here at this late hour as amendment to this bill, the consideration of which we have practically completed, I just do not think it should be done. There is the further fact that in my opinion it is not germane to the present bill and, therefore, Mr. Chairman, I insist upon my point of order.

The CHAIRMAN. Does the gentleman from Virginia [Mr. POFF] desire to be heard on the point of order which has been raised by the gentleman from Texas?

Mr. POFF. Only briefly, Mr. Chairman. The gentleman's point of order, I believe, is that the amendment is not germane to the bill now under debate.

Mr. PATMAN. That is right.

Mr. POFF. I wish to call to the attention of the Chair reference to the title of the bill, and particularly to the first two clauses thereof which read as follows:

To safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions, * * *

Mr. Chairman, the thrust of this amendment is to fix a Federal definition of the crime of usury as it is related to the State statutes which deal with the subject of usury.

Mr. Chairman, it is my feeling that the amendment is altogether addressed to the subject matter of the bill and is properly identified with its provisions.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. POFF. I yield to the gentleman from Texas.

Mr. PATMAN. I would like the Chairman to hear this: Is it not a fact that some States do not have usury laws?

Mr. POFF. It is a fact that some seven or eight States do not have any usury laws.

Mr. PATMAN. And, Mr. Chairman, if the gentleman will yield further, is it not a fact that some of the States which have usury laws have very weak usury laws?

Mr. POFF. Some of the States have very weak usury laws. Hopefully, however, it is the opinion of the author of this amendment that those States might be encouraged to enact adequate usury laws, as a result of Federal interest in this field.

The CHAIRMAN (Mr. PRICE of Illinois). The Chair is prepared to rule.

The bill under consideration deals with credit, interest and garnishment, and several other classifications of these fields.

The Chair, in perusing the amendment offered by the gentleman from Virginia, finds that it deals with interest, interest rates, and refers to the matter of "loan sharks"; this has to do with the matter

of interest—the excessive charge of interest. And, it appears to the Chair that this is another classification to add to those under consideration in the original bill.

The Chair, therefore, holds that the amendment is germane and overrules the point of order.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that all debate on this amendment conclude in 10 minutes, 5 minutes to be allotted to the affirmative and 5 minutes to be allotted to the negative.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. ASHBROOK. Mr. Chairman, I object.

Mr. McDADE. Mr. Chairman, will the gentleman from Virginia yield for the purpose of my propounding a parliamentary inquiry?

Mr. POFF. I yield to the gentleman from Pennsylvania.

Mr. McDADE. Mr. Chairman, when is it in order to offer a substitute amendment to the amendment which has been offered by the gentleman from Virginia?

The CHAIRMAN. The Chair will state to the gentleman from Pennsylvania that that may be in order as soon as the gentleman is recognized after the gentleman from Virginia has completed his time under the rule.

Mr. McDADE. I thank the Chairman. (Mr. POFF, by unanimous consent, was allowed to proceed for 2 additional minutes.)

The CHAIRMAN. The gentleman from Virginia is recognized for 7 minutes.

Mr. POFF. Mr. Chairman, the purpose of this legislation is to protect the consumer in general.

The purpose of this amendment is to protect the poor consumer in particular. Its thrust against the machinations of the Cosa Nostra acknowledges that the typical victim of the loan shark is not the average consumer, but the poor consumer—the consumer who has fallen upon financial distress; the consumer who perhaps has indulged in gambling; the consumer perhaps who has become addicted to the use of narcotics to relieve the mental torture into which his poverty has projected him.

So, I suggest, Mr. Chairman, that those who truly want to protect the real victim of excessive interest charges will be sympathetic with the amendment I have offered.

Let me explain briefly its content and effect: We have patterned the amendment after two statutes, already on the books; namely, sections 1951 and 1952 of title 18. Known jointly as the anti-racketeering statutes, the first lays the constitutional predicate of an impact upon interstate commerce. Any person who interferes with or obstructs interstate or foreign commerce, and in the course thereof participates in an act of robbery, extortion, or violence to person or property runs afoul of the Federal law as well as State law.

Under the first portion of our amendment, if the transaction described as "loan sharking" has an impact upon or obstructs or interferes with interstate

commerce in any particular, then the Federal law comes into action. And this—and I suggest that this is significant—this activates the investigating arm of the Federal Government, and makes it possible for the local governments in the proper fulfillment of their responsibilities and in the execution of their laws to deal with those who flaunt those laws, and who abuse and misuse the people who must come to the loan shark for credit he cannot find elsewhere.

The second part of our amendment is patterned after section 1952 of title 18, which concerns the use of any facility of interstate commerce or travel in interstate commerce for the purpose of any unlawful activity. Unlawful activity is further defined to include a business enterprise involving gambling, untaxed liquor, narcotics, prostitution, all in violation of the State laws or the Federal law. I emphasize the latter because that is the key to our bill.

Under the definitions stated in this amendment, whenever the loan transaction is in violation of the laws of the State with respect to interest rates, and whenever interstate commerce is obstructed, or a facility of interstate commerce is used, or there has been traveling in interstate commerce, then the Federal crime has matured.

We are careful, however, to recognize that in certain areas of the usury laws of the States there is some imprecision, some uncertainty; it is possible to interpret the laws of some of the States in a variety of ways. Accordingly, we have been careful to include an exemption which excludes from the effect of this amendment those lending institutions which are subject to the regulation and control of either State law or Federal law.

Therefore we suggest that there is no possibility that the law, once enacted, might be subject to abuse.

Also a part of the amendment is something that all law enforcement officials agree is extremely important. We have drafted an immunity clause so that witnesses who have knowledge of loan sharking operations may be offered appropriate immunity if they agree to testify in support of the prosecution of those who have been brought to justice under this amendment.

We make a separate crime, too, for the malefactors who, in addition to the customary loan shark transactions, resort to violence or threats of violence.

This is a customary practice of the Cosa Nostra as has been recently dramatized in an article which appeared in the New York Times, an article which I might say brought into focus and suggested the introduction of this amendment to this bill.

Mr. Chairman, we believe the Federal Government should not, in proceeding into this new jurisdictional field, improperly invade the jurisdiction of the individual States. For this reason we have inserted another clause which guarantees that the language of the amendment will not preempt the statutes of the several States.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. POFF. I am happy to yield to the gentleman.

Mr. PATMAN. Under the provisions of this amendment, and I hurriedly read it, due to the pressure of time, you are trying to enforce the State laws on usury or interest charges? In other words, you are not insisting on anything else except just the State statutes; am I correct?

Mr. POFF. In specific response to the gentleman's question, the term "loan shark" is defined to mean lending of money at a rate of interest prohibited by the statute of a State where the loan transaction occurred.

Mr. PATMAN. That is it—by statute of the State. I always thought the members of the minority wanted to stay out of the enforcing of State laws.

The CHAIRMAN. The time of the gentleman has expired.

(Mr. POFF asked and was given permission to proceed for 1 additional minute.)

Mr. POFF. Mr. Chairman, I want to respond further to the gentleman's remarks.

The fact of the matter is that section 1952 of title 18 already defines a Federal criminal offense by reference to violation of State law, and here we are simply tracking that definition.

Mr. PATMAN. You are not trying to amend that section?

Mr. POFF. We are using it as a guide.

Mr. PATMAN. Then your amendment ought to go to the Committee on the Judiciary.

Mr. POFF. But the Chairman has already ruled that the amendment is germane.

Mr. PATMAN. That is right.

But you know you now have a bill which is in the Committee on the Judiciary right now.

Mr. POFF. We do and that bill is addressed to title 18.

Mr. PATMAN. And section 1952 which you just read.

Mr. POFF. I did not address the amendment to section 1952. We used the language of sections 1951 and 1952 in the amendment.

Mr. PATMAN. You are trying to enforce the State law on usury and excessive interest.

Mr. POFF. The gentleman is mistaken. He is completely mistaken. I am trying to create a new Federal law which preserves the dignity and the force and effect of State laws.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WIDNALL. Mr. Chairman, the amendment offered by the gentleman from Virginia [Mr. Poff] is aimed at the urgent problem confronting our Nation caused by the tremendous growth in loan-sharking activities by organized crime.

The bill before us this afternoon would have little, if any, real effect on loan shark operations. Keep in mind that loan sharks do not depend upon written contracts and do not send statements or bills such as we have in normal credit activities. Therefore, disclosure depends upon advertising, contracts or monthly bills for its ultimate effect. Loan sharking, on the other hand, depends upon the

unwritten word, the silent threat, extortion and finally, bodily injury or murder if repayment is not made. Furthermore, loan sharks seldom are concerned with the normal transaction of business such as retail sales to justify their activities. They deal in cash and large sums of cash. Their annual interest charges reach into the hundreds of a percent.

It has been estimated by the New York Times, in an article appearing the day before yesterday, that loan sharking is a multibillion-dollar-a-year underworld activity. Even more frightening is evidence pointing to the fact that loan sharks have invaded Wall Street and city governments such as the New York City government and has been cited as the cause for civic corruption of the highest magnitude.

Unfortunately, loan sharking is not a Federal offense. The purpose of the amendment would be to make it a Federal offense and thereby bring in the full force of the Department of Justice and other Federal investigatory agencies against this insidious activity. The amendment defines a loan shark as one who knowingly extends credit for a consideration which exceeds the amount permitted under the laws of the State in which the transaction takes place, except that this would not apply to any extension of credit by a creditor which is first, licensed or chartered as a banking or lending institution by the United States or any State; and, second, regulated and supervised as a banking or lending institution by the United States or any State. The maximum penalties for conviction of loansharking would be a fine or not more than \$10,000 or imprisonment of not more than 5 years, or both.

Mr. Chairman, again I want to emphasize that disclosure would not affect loansharking operations. Credit disclosure as contained in title II of this bill is aimed at those credit activities seldom affected by loansharking.

I think the Committee has an opportunity this afternoon to take the first step in dealing with one of the most serious problems facing our country today. Organized crime today is far different than it was 30 years ago when it depended upon the proceeds of criminal activities for its sustenance. Today, organized crime is much more adroitly organized through legitimate business front activities, and these activities, largely beyond the control of State, local, or Federal law, increasingly depend upon unbelievably high proceeds of loansharking for their capital funds.

Mr. Chairman, I urge the House to overwhelmingly adopt this amendment.

Mr. CURTIS. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I have taken the floor to commend the gentleman from Virginia for offering this amendment and to point out to the House the care with which the gentleman from Virginia [Mr. Poff] has developed this amendment and the work that he has been doing as chairman of the special task force on our side of the aisle in the matter of national crime and to point up something further for the consideration of the House.

Congress does, I think, a very excellent job in breaking up matters for studying into the jurisdictions of 20 standing committees. But in doing that we also lose sight on occasion of the whole picture.

Here we have a relatively simple matter that comes out of the Committee on Banking and Currency, and very properly so, that has to do with consumer credit, particularly small loans. It gets into the field of loan-shark lending. This is an area that organized national crime has moved into for some of its basic financing.

Why am I here as a member of the Committee on Ways and Means pointing this out? Because my committee happens to have jurisdiction over three other matters, which organized national crime utilizes for basic financing; namely, alcohol—bootlegging, that is—because through the Internal Revenue Code, the alcohol excise taxes, we seek to control bootlegging.

So we have jurisdiction over traffic in narcotics because this, too, relies on our tax and custom laws for enforcing. The third area organized national crime utilizes for revenue is gambling and here, too, we have imposed a tax on certain gambling equipment. Somehow we have to bring about a synthesis of matters which relate to organized national crime by having our committees that have complementary jurisdictions brought into focus. So here very properly, and done with a great deal of depth of background study, the gentleman from Virginia has brought his amendment to bear upon this important subject of consumer financing, and how it is involved in this problem of organized national crime. When we consider consumer financing, this is the appropriate place to proceed, just as I hope, as we further develop in the field of regulating narcotics, bootlegging, and gambling we will proceed to get at this common enemy that we are all anxious to move in on organized national crime.

Finally, I would observe that with the knowledge that the gentleman from Virginia [Mr. Poff] as a member of the Committee on the Judiciary and as the chairman of the Republican task force on organized national crime has in this area, he is fully capable of developing a well drafted and thought-out amendment to meet this problem. In other words, I think the House can rest assured that the homework has been done in this area, and that this would be a very desirable and appropriate amendment to put on the bill.

Mr. PATMAN. Mr. Chairman, I rise in opposition to the amendment. It will be satisfactory, I believe, to our side if we can get the minority to agree on which bill they want, to accept it for conference purposes, and let it go to conference. Of course, we realize that the language in the bill is very loose. Obviously it has been designed and written to try to evade jurisdictional questions and also to make it germane to this bill when normally it would not come to our committee at all.

This same proposal was introduced on December 11, 1967, involving section 1952, which was mentioned by the gen-

tleman on the floor a few minutes ago, of title 18, United States Code. It was promptly referred to the Judiciary Committee, where it belongs. I inquired of the staff of the Judiciary Committee if any effort had been made by the sponsors to get consideration of the bill before the committee. No effort at all has been made, not even a letter written. No suggestion has been made that they should get comments from the different departments involved. No hearing has been asked for. No effort has been made to get consideration of any kind.

To bring the same bill in here just dressed up in different clothes, different paragraphs, different phrases, and words, is an effort that is made too late for consideration without unduly delaying and possibly destroying the good truth-in-lending bill. I do not charge that that is the object of it at all. But I believe that if you gentleman on the minority side will agree which bill you want, I think we would accept it for conference purposes. We would let it go to the Senate, let it go to conference, and then we could tighten up the loose language. There are a lot of good provisions in this amendment. It sounds like a Democratic platform. If we had suggested this language, I think the other side would have unanimously not only voiced concern but opposed it. But since you have gotten into this situation where you have to come up with something, you have come up with almost Democratic suggestions, but couched in language so loose as to be ineffective.

So if you will agree on the type of amendment that you desire, we will at least be inclined to consider it and see if we cannot get it sent to conference and let it be considered in conference, for I believe it is worthy of great consideration.

May I suggest that when it is stated here this is just to enforce the State usury laws, some States do not have usury laws. Some States, in addition to those who do not have usury laws, have broken down their interest rate laws to the extent that they are practically valueless.

Our committee was concerned about this and we had an investigation of different loansharking concerns, headed by ex-generals and ex-admirals. Some of the greatest men in our Nation were heading those different organizations. They were, of course, kind of grandfathers to the servicemen. They felt an obligation and they charged 100 percent interest. They robbed them of insurance the men never did get. They did everything. We appointed a usury subcommittee and went into it thoroughly. Mr. Weltner was chairman of it. We discovered in many States they could charge 240 percent interest. In those States all that is promised is not to let them charge more than 240 percent interest. I think in the majority of States they charge 36 and 42 percent. All that is promised is if they charge more than that, they will get excited about it and send Federal agents in there to enforce State laws, keeping them from violating the particular State laws.

Mr. GERALD R. FORD. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I will in a moment yield to the distinguished chairman, because I wanted him to yield to me. I simply desire to make two points. One, the gentleman from Virginia has offered this amendment, which takes one course of action in the definition of the crime. There are some honest differences, not significant. The gentleman from Pennsylvania [Mr. McDade] was going to offer a substitute, but we have analyzed the differences, and we do believe that when the gentleman from Pennsylvania [Mr. McDade] explains the difference he has, that the gentleman from Texas would then agree that he could take the Poff amendment, with the recognition there may be an alternative, and in conference he might use one or the other approach, the conferees have flexibility in the conference with the other body, the Senate not having any provision in this regard. So the gentleman has broad powers and general flexibility in order to make some decisions, to change language if the conferees so decide. I trust the gentleman will accept the Poff amendment and will go to conference with the aim and objective of having flexibility.

One other comment, and then I will yield to the gentleman from Texas.

The gentleman makes a point that maybe this is the wrong approach because seven States do not have usury statutes, and he alleges that, in those States there could be an interest charge of more than 200 percent. Maybe this proposal by the gentleman from Virginia will be an incentive to those States to take action, first, and, second, if by this amendment we help to put some loan sharking criminals behind the bars in 43 States, is that not better than nothing?

Mr. Chairman, I yield now to the gentleman from Texas.

Mr. PATMAN. Mr. Chairman, suppose as the gentleman recommended, we take the Poff amendment, and put the other amendment by the gentleman from Pennsylvania [Mr. McDade] in the Record at this point, and consider them in conference. But we do not want to adopt two amendments along the same line. I do not think the gentleman would insist on this.

Mr. GERALD R. FORD. No. As a matter of fact, I think the procedure outlined by the gentleman from Texas is reasonable.

Mr. PATMAN. Mr. Chairman, in order to shorten the procedure and get on with this, without taking too much time, we will be willing to accept the Poff amendment for conference purposes. As I say, we can go back and read the Democratic platforms, and it sounds as if a lot of this has been taken from it.

Mr. McDade. Mr. Chairman, I move to strike the requisite number of words.

(Mr. McDade asked and was given permission to revise and extend his remarks.)

Mr. McDade. Mr. Chairman, the amendment offered by the gentleman from Virginia [Mr. Poff] does in one or two essentials differ from an amendment which I intended to offer myself. His amendment closely parallels a bill I in-

troduced in January to deal with this problem.

I believe the agreement reached between the chairman of the Committee on Banking and Currency and the minority leader, to take the Poff amendment and my amendment to conference and to decide there which approach is better, is a salutary proposal, and I support it.

It is important that we in the Congress recognize the issue we face when we try today to do something effective about the problem of loan sharking in the United States of America.

We ought to recognize first of all that this is one of the principal sources of income of organized crime in the United States of America. We ought to recognize it pervades every single section of our society, from the man on the corner who borrows \$5 and pays back \$6 the following week, right up to the highest levels of the brokerage houses of New York City, where we find organized crime infiltrating and using its muscle not just to get involved in business but, indeed, to terrorize American citizens.

All of us can recognize this is something we have tolerated too long.

I believe that today is a momentous day in the Congress of the United States, because for the first time we are making a decision which recognizes the difference between organized crime and other types of crime. We are saying today, "organized crime is indeed a Federal responsibility, and a field in which we should be taking action."

By doing this today we will benefit our economy. This will benefit the country. It will make, for example, our bankruptcy laws more important. There is no way to go into bankruptcy when one has to deal with a loan shark, because the bankruptcy laws mean nothing to them. There is no way to have sound money so long as the loan sharks are permitted to engage in confiscatory practices through every segment of our economy without regulation and without penalty.

So I am delighted to see that today we will take what I hope is the first step legislatively in the Congress to begin the fight against organized crime. When we do this we shall be making what I believe is a contribution to the American public.

I hope, also, that the future will show an increased awareness in Congress of our role in dealing with this problem. For we must become aware of the gravity of the problem, and aware that organized crime turns over billions, yes billions, of dollars each year. The experts tell us that the sources of that immense sum are gambling, loan sharking, and the sale of narcotics. And the substantial part of this money is wrenched out of the urban poor. Today we are taking the first steps to remedy this situation, to give Federal recognition to its importance and to bring the authority of the Federal Government squarely down on organized crime.

Mr. POFF. Mr. Chairman, will the gentleman yield?

Mr. McDADE. I yield to the gentleman from Virginia.

Mr. POFF. May I pay tribute to the gentleman in the well, who has spent many long hours and applied most formidable talents possessed in this field to the solution of this vexing problem.

The amendment which I offered in large part bears the imprint of the gentleman's work. I congratulate him and I commend him.

I wish to say also that I am grateful for the statement made by the gentleman from Texas, and for the generosity which prompted him to take this wise outlook.

Mr. McDADE. I thank the gentleman from Virginia for his assistance in this area.

Mr. PATMAN. Mr. Chairman, if the gentleman will yield, we are ready for a vote. If there are several amendments, we can agree to them, as submitted by members of the minority.

Mr. McDADE. I submit herein my proposed amendment which is as follows:

On page 40, insert after line 5 the following new title:

"TITLE II—LOAN SHARKING

"SEC. 102. (a) The Congress makes the following findings of fact:

"(1) Organized crime is interstate and international in character.

"(2) Organized crime is directly engaged in interstate and foreign commerce, as well as intrastate commerce, in extending credit in so-called loan sharking activities. These activities of organized criminals and other criminals involve billions of dollars each year.

"(3) Loan sharking activities are characterized (A) by excessive finance charges or rates of interest, or (B) by the use, or the express or implicit threat, of violence or other harm to person, reputation, or property as a means of enforcing payment, or (C) by both of the foregoing characteristics.

"(4) Loan sharking activities directly impair the effectiveness and frustrate the purposes of the laws enacted by the Congress on the subject of bankruptcies.

"(5) Loan sharking activities impair the stability of the national economy and thereby interfere with the regulation of the value of money.

"(6) Loan sharking activities diminish the use and impair the effectiveness of legitimate channels of credit in interstate commerce.

"(7) The production and flow of goods in the Nation's economy is hindered by the diversion of money into excessive and confiscatory credit payments.

"(8) Federal programs designed to aid the poor in the United States are rendered less effective by loan sharking activities.

"(9) The diversion of money and assets into organized crime tends to stultify the purposes and benefits of a free enterprise economy and hinders the operations of Federal statutes and regulations designed to preserve that economy.

"(b) On the basis of the facts stated in subsection (a) of this section, the Congress determines that the provisions of this title are necessary and proper for carrying into execution each of the following powers of Congress:

- "(1) to regulate commerce;
- "(2) to establish uniform laws on the subject of bankruptcies; and
- "(3) to regulate the value of money.

"SEC. 103. For the purposes of this title—

"(1) To extend credit means to make or renew any loan, or to enter into any agreement, tacit or express, to allow or require the payment of any debt, obligation, or claim, whether acknowledged or disputed, valid or invalid, and however arising, to be deferred or postponed.

"(2) Whenever any means or instrumentality of interstate or foreign commerce is used in connection with any extension of credit, the State within which the transaction takes place shall be deemed to be the State within which the person to whom the credit is ex-

tended resides or is incorporated, unless the maximum rate of interest or finance charges permitted with respect to the transaction is lower in the State in which the transaction actually takes place than in the State in which the person to whom the credit is extended resides or is incorporated.

"(3) Any person who guarantees the repayment of any extension of credit, or in any manner undertakes to indemnify against loss any person who extends credit, shall be deemed to be a person to whom credit is extended.

"(4) The term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States.

"SEC. 104. (a) Except as provided in subsection (b) of this section, whoever knowingly extends credit for a consideration which exceeds the amount permitted under the laws of the State in which the transaction takes place shall be fined not more than \$5,000 or imprisoned not more than 5 years, or both.

"(2) The provisions of subsection (a) of this section do not apply to any extension of credit by a creditor which is both—

"(1) licensed or chartered as a banking or lending institution by the United States or any State, and

"(2) regulated and supervised as a banking or lending institution by the United States or any State.

"(c) Whoever engages in the business of making extensions of credit involving any violation of this section, or conspires to do so, shall be fined not more than \$10,000 or imprisoned not more than 20 years, or both, in addition to any punishment imposed under subsection (a) of this section.

"SEC. 105. (a) Whoever knowingly participates in any way in a wrongful use, or the express or implicit threat, of violence or other harm to person, reputation, or property directly or indirectly to bring about the satisfaction or discharge in whole or in part of any obligation or claim, acknowledged or disputed, valid or invalid, resulting from or in connection with any extension of credit shall be fined not more than \$10,000 or imprisoned not more than 25 years, or both.

"(b) If two or more persons conspire to violate subsection (a) of this section, each shall be fined not more than \$10,000 or imprisoned not more than 25 years, or both.

"SEC. 106. (a) Except as provided in subsection (b) of this section, whoever knowingly possesses, maintains, or exercises control over any paper, writing, instrument, or other thing used to record any obligation or information in connection with any extension of credit in violation of section 102 of this title shall be fined not more than \$5,000 or imprisoned not more than 5 years, or both.

"(b) The provisions of this section do not apply to any officer, employee, or agent of the United States or any State acting within the scope of his authority as such, or to any person who promptly delivers to an officer or agent of the Department of Justice any paper, writing, instrument, or other thing described in subsection (a) which may come into his possession.

"SEC. 107. Whenever in the judgment of a United States attorney the testimony of any witness, or the production of books, papers, or other evidence by any witness, in any case or proceeding before any grand jury or court of the United States involving any violation of this Act, or any conspiracy to violate such Act, is necessary to the public interest, he, upon the approval of the Attorney General, or his designated representative, may make application to the court that the witness shall be instructed to testify or produce evidence subject to the provisions of this section. Upon order of the court the witness shall not be excused from testifying or from producing books, papers, or other evidence on the ground that the testimony or evi-

dence required of him may tend to incriminate him or subject him to a penalty or forfeiture. But no such witness shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, nor shall testimony so compelled be used as evidence in any criminal proceeding (except prosecution described in the next sentence) against him in any court. No witness shall be exempt under this section from prosecution for perjury or contempt committed while giving testimony or producing evidence under compulsion as provided in this section.

"Sec. 108. This title shall not be construed as indicating an intent on the part of Congress to occupy the field in which this title operates to the exclusion of a law of any State, and no law of any State which would be valid in the absence of this title shall be declared invalid, and no local authorities shall be deprived of any jurisdiction over any offense over which they would have jurisdiction in the absence of this title."

Mr. ECKHARDT. Mr. Chairman, I cannot permit the amendment by the distinguished gentleman from Virginia to go entirely unopposed. Should it become law, the amendment would take a long stride by the Federal Government toward occupying the field of general criminal law and toward exercising a general Federal police power; and it would permit prosecution in Federal as well as State courts of a typically State offense.

This amendment would permit Federal courts and Federal policemen to enforce strict criminal usury statutes in some States—imposing harsh sanctions against those citizens—and, in other States, to enforce no sanctions on usury, or mild ones. I do not think such disparity can be justified as promoting the general welfare, because the amendment establishes no general Federal policy.

The Federal involvement cannot be defended on the basis of interstate commerce, because the amendment has no clear delineation of how commerce must be affected in order for its provisions to apply. I believe it would be dangerously oppressive to liberty for Congress to bend to every wind of passion to enact Federal, general, criminal law, justifying it under some hazy and tenuous connection with interstate commerce.

The most distinguished Virginian framed the Bill of Rights largely against such improper entrenchment of the Federal Government against the States. And I believe that Alexander Hamilton, though a federalist, would be astonished that such a deep entrenchment on the rights of the States in performing their most fundamental function should come from the more conservative quarter of the House.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Virginia [Mr. Poff].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. CAHILL

Mr. CAHILL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CAHILL: On page 6, line 17, immediately after "extends" insert: ", or arranges for the extension of,".

Mr. PATMAN. Mr. Chairman, the gentleman, I believe, has three more

amendments to offer. He was nice enough to furnish us copies of them. We have gone over them with the staff and with the majority members. We will accept them, if the gentleman will put them in the RECORD.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey [Mr. CAHILL].

The amendment was agreed to.

AMENDMENTS OFFERED BY MR. CAHILL

Mr. CAHILL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CAHILL: On page 10, line 23, strike "and".

On page 10, line 25, strike the period and insert "; and".

On page 10, immediately after line 25 insert:

"(10) a description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates."

On page 12, line 8, strike "and".

On page 12, line 10, strike the period and insert "; and".

On page 12, immediately after line 10, insert "; and".

"(8) a description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates."

On page 13, line 15, strike "and".

On page 13, line 18, strike the period and insert "; and".

On page 13, immediately after line 18, insert:

"(E) the conditions under which the creditor may retain or acquire any security interest in any property to secure the payment of any credit extended under the plan, and a description of the interest or interests which may be so retained or acquired."

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey.

The amendment was agreed to.

The CHAIRMAN. The Clerk will report the next amendment.

The Clerk read as follows:

Amendment offered by Mr. CAHILL: On page 15, immediately after line 13, insert:

"(e) In the case of any extension of credit in connection with which a security interest is to be retained or acquired in any property which is used or is expected to be used as a residence by the person to whom credit is extended, the disclosures required under this title shall be made at least three days before the transaction is consummated or before any agreement to consummate the transaction is entered into by the party to whom the credit is extended, whichever is earlier. The Board may, if it finds that such action is necessary in order to permit homeowners to meet bona fide personal financial emergencies, prescribe regulations authorizing the modification or waiver of this requirement to the extent and under the circumstances set forth in such regulations.

"Notwithstanding any other provision of this Act, written acknowledgement of receipt by a person to whom a statement is required to be given pursuant to this paragraph shall provide only a rebuttable presumption of proof of delivery thereof."

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey.

The amendment was agreed to.

The CHAIRMAN. The Clerk will report the next amendment.

The Clerk read as follows:

Amendment offered by Mr. CAHILL: On page 15, line 21, immediately after "the obligation" insert ", unless the assignee, its subsidiaries, or affiliates, are in a continuing business relationship with the original creditor".

On page 26, line 13, immediately after the period insert: "Any action which may be brought under this subsection against the original creditor in any credit transaction involving a security interest in real property may be maintained against any assignee of the original creditor where such assignee, its subsidiaries, or affiliates were in a continuing business relationship with the original creditor either at the time the credit was extended or at the time of the assignment, unless the assignment was involuntary, or the assignee shows by a preponderance of evidence that it had no knowledge of any reasonable likelihood of violation by the original creditor and that it maintained procedures reasonable adapted to apprise it of the existence of any such violations."

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey.

The amendment was agreed to.

Mr. CAHILL. Mr. Chairman, there can be small doubt but that the truth-lending bill presently before the House represents a monumental advance for our Nation's consumers. As dependence on consumer credit has increased, it has become evident that the doctrine of caveat emptor is completely inadequate to protect the public from the confusing wielder of credit gimmicks, such as "add-ons," "discounts," and "service" and "finance" charges. These practices, however legitimate, have made it impossible for today's consumer to compare the costs of available credit and, with tragic frequency, they permit the practice of fraud and deception.

In the absence of plain, clear, and truthful information with respect to credit costs, the consumer has been forced to rely on advertising representations, and, as a general rule, such advertising has been inadequate to present a complete idea of credit costs. I would thus urge immediate enactment of the present bill, which requires clear disclosure of credit costs and imposes a requirement that credit advertising be truthful.

However, despite the general comprehensiveness of this legislation, in my judgment there are serious and important omissions which should be corrected. These omissions relate primarily to consumer credit extended on the security of mortgages and liens on homes and residences. I am sure that most of the Members are aware of the extent to which vicious secondary mortgage schemes have victimized homeowners in the District of Columbia.

On numerous previous occasions I have pointed out to the Members that New Jersey and Pennsylvania homeowners have similarly been defrauded. The pattern of this unscrupulous fraud is generally not too complex, but finds its success primarily in the anxiety and financial need of homeowners who are ill-prepared to glean the truth from the many representations made to them by mortgage lenders. Generally, the homeowner desiring to borrow money is confronted by disceptive contracts, hidden

finance charges, and misrepresentations of the considerations he is to receive and the financial obligations he is to assume.

Frequently, the misrepresentations are made by newspaper advertisements. In other instances, the misrepresentations are made directly to the borrower by the mortgage discount lender or a broker who offers to arrange home improvement repairs or consolidation of all the homeowner's debts into "one easy monthly payment."

In all cases, the homeowner is hurried and rushed through the transaction by glib and reassuring talk and in many cases he is never informed nor aware that his home is being made subject to a mortgage. A central feature of these schemes is the assignment of the note and mortgage by the fraudulent mortgage lender to the finance companies which, by callous disregard of the fraudulent underlying transactions, can claim the privileged status of holder in due course under State law. During the past several months, I have requested the Federal Trade Commission and the Post Office Department to undertake investigations of these practices in the Camden-Philadelphia area to determine possible violations of existing Federal legislation. Despite the prompt and cooperative efforts of these authorities, such unscrupulous schemes continue.

I have therefore offered these four amendments designed to improve the truth-in-lending provisions with respect to mortgage transactions.

One amendment would require that there be disclosure that a mortgage is being placed on the borrower's home and that the consequences of such a mortgage can be explained.

Another amendment would perfect section 202. Under this section only those who actually extend credit are required to disclose credit costs. However, in terms of commercial reality, credit arrangements in mortgage transactions are generally arranged through brokers. These brokers usually extend no credit themselves, but rather pass upon the credit acceptability of applicants and place the application with lending institutions. Further, fraudulent second mortgage schemes frequently involve mortgage brokers who offer to consolidate all the homeowner's debts. Another amendment will make clear that brokers and others who arrange credit transactions between borrowers and creditors are included in the disclosure requirements of the bill.

Third, as previously mentioned, most fraudulent mortgage schemes are consummated in an atmosphere of hurry, rush, and fast talking. Under the bill, the disclosures required need only be made "before the credit is extended." This obviously is not sufficient to protect the anxious and debt-ridden homeowner. Thus another amendment would require that disclosure of credit terms be made 3 days prior to the consummation of the mortgage transaction. Thus, homeowners will be able to study and investigate the contemplated seriousness of the obligations which they are able to undertake in the privacy and unhurried atmosphere of their own home. An immediate objec-

tion which may be raised is that homeowners often need emergency funds and that such a provision would place a burden on such transactions.

However, this objection would not seem to accord with practical realities. Generally, prior to any money being advanced in a mortgage transaction, a title search is made and mortgage deeds prepared. Usually, this takes from 4 to 5 days. Moreover, the amendment proposal would include a provision which would allow the Board of Governors of the Federal Reserve to establish regulations waiving the 3-day notice requirement in bona fide emergency situations if such waiver were determined to be necessary.

Under State holder-in-due-course legislation, lending institutions are free to close their eyes to fraudulent underlying transactions and thus the homeowner has little practical recourse if he has been defrauded. The last amendment provides that assignees of mortgages, and notes given in connection with mortgages be held responsible for the knowledge that disclosure had been made by the original lending institutions, where they maintain a continuing course of business with the original lending institution.

These are amendments which will improve the bill and I thank the Chairman for accepting all four amendments.

(Mr. CAHILL asked and was given permission to revise and extend his remarks.)

The CHAIRMAN: Are there any further amendments to be offered to this section?

Mr. HALL. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, my first personal experience away from home was in working for an attorney, who later became a Member of this House, in the pursuit and the collection of judgments.

Mr. Chairman, there are a few States that do not employ the creditor's remedy and the garnishment of wages, including my own State of Missouri itself.

Generally, no more than 10 percent of the wages owing to the resident head of a family for work performed—that is the wage earner—within 30 days preceding service on the garnishee, the employer, may be reached by garnishment.

I wonder if this provision which we are going to consider preempts the traditional role of the State courts to operate in this field?

Furthermore, Mr. Chairman, I wonder what is, in fact, the basis for Federal jurisdiction.

Now, Mr. Chairman, assuming that the answer to my second question is the well-worn commerce clause, is this an extension only which would have been foreseen by those who wrote our Constitution and the basic laws of our Founding Fathers?

Mr. Chairman, since this title is to be enforced by the Wage and Hour Division of the Department of Labor, as now written, one must presume that it would not apply to the garnishment of employers that do not fall within this Department's jurisdiction.

Therefore, I rise before the Committee to ask questions seeking general in-

formation as, indeed, I did after our general debate prior to amendments under title I and inquire, does this title apply to garnishments that do not arise from consumer credit transactions; that is, judgments for child support, rent, taxes, and tortious acts?

And, finally, Mr. Chairman, will not illegal or Mafia-type collection methods arise due to the enactment of this title?

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. HALL. I shall be delighted to yield to the gentleman from Wisconsin.

(Mr. REUSS asked and was given permission to revise and extend his remarks.)

Mr. REUSS. Mr. Chairman, I would like to address myself to the questions which have been raised by the distinguished gentleman from Missouri [Mr. HALL].

Question No. 1, which as I understood, was whether to prohibit the garnishment procedure as it is applied to, for instance, child support and similar matters?

Mr. Chairman, the section which we shall come to in a moment, and which is very clear as it appears on page 41 of the bill, the prohibition does not apply under the order of any court for the support of any person.

Mr. HALL. Mr. Chairman, that was, actually, the fourth question that I raised.

Mr. REUSS. Well, now, working my way backward, I would like to try to answer all of the questions which have been propounded by the gentleman from Missouri.

Mr. HALL. I shall be glad to hear the answers of the gentleman from Wisconsin.

Mr. REUSS. The constitutional jurisdiction is not only that under the interstate commerce clause which the gentleman has mentioned, but is positively under another separate and distinct clause providing for the carrying out of the fiscal and monetary authority of the United States Code as provided in article 1, section 8, clauses 1, 2, 5, *Veazie Bank v. Fenno* (8 Wall. 533, 549 (1869)); *Head Money* cases (112 U.S. 580, 595, 596 (1884)); *United States v. Butler* (297 U.S. 1, 60; 61, 69 (1936)).

The jurisdiction of the Congress under the fiscal and money power clauses clearly extends to interest in credit transactions of the nature which is now pending before us.

Mr. HALL. I appreciate the gentleman's response. And, I presume the gentleman means criminal findings under the Criminal Code?

My questions are based upon principle as, indeed, are questions involving other titles which will come under debate in the future, and in my opinion these questions which I have propounded, coming from a nonlegal mind, have raised the same question in the minds of those individuals who have read the bill, questions which in my opinion are paramount.

Mr. Chairman, I include herein a letter which I have received from a constituent and upon which I based my inquiries of yesterday:

TURNERS, INC.,

Springfield, Mo., January 26, 1968.

DURWARD G. HALL,
Longworth House Office Building,
Washington, D.C.

DEAR CONGRESSMAN HALL: I hate to bother and particularly with long letters, which this may be, and I will endeavor to keep it as short as possible.

You may recall that a year or so ago I wrote you in regard to "Truth in Lending" bill, and your answer was that you would stay in touch with it but it was hard for you to see why an interest could not be stated as a simple annual rate.

I was then and am now inclined to agree with you but at the same time I cannot answer that question for you or for myself. Uncle Luther always used to say that "Lars can figure but figures don't lie," but I am beginning to question even this.

It is my understanding you have heard from Bill McClerkin and our feeling is pretty much as his—that the Senate bill is one we could live with but the proposed changes in the House bill would make it unworkable. We are advised by Sears that it would put them out of the revolving or budget credit business. Revolving credit was established as a convenience for the customer and as an easier method of handling charge accounts where there should be a carrying charge and the customer is advised that there is a charge of 1½% per month on the unpaid balance. But it seems impossible to convert this to an annual rate.

At first glance it would appear to be 18% but it doesn't work out that way, partially because the payments may vary and partially because of additional purchases. To try to re-figure the interest with each new purchase on a revolving credit account would probably be more than a computer could do.

To find answers to your questions, I talked to Dr. Jerry Poe of the Breech School of Business at Drury, with whom I am sure you are familiar. He in turn talked with Willard Graves. I also talked to some of the bankers and I still can't come up with an answer other than it cannot be done.

I have before me a book entitled "How to Avoid Financial Tangles," published by the American Institute for Economic Research, wherein they refer to the interest charge on insurance premiums and to keep this brief, one sentence reads: "If three per cent is added to the premium, the interest rate is twelve and one-half per cent annually. If two per cent is added, the interest rate is eight and one-third per cent per annum. . . . If six per cent is added to an annual premium of one hundred dollars. . . . this gives an annual interest rate of approximately sixteen per cent for the actual accommodation."

Jerry Poe brought me a book entitled, "Theory and Problems of Mathematics and Finance." This refers to different rules of arriving at the percentage of carrying charge. One is called the Merchant's Rule and the other, the United States Rule, and the third is the Constant Ratio Formula—all of which gives us different answers to the same problem. For example: A shop offers an electric motor for thirty-four dollars cash or five dollars down and three dollars per week for ten weeks. Find the interest rate charge, using the direct ratio formula, and the answer is that the interest rate is 32.3%. Another example in this book, depending on which method is used to determine the rate of interest, varies from 18.8% to 20.5%. Still another example refers to a Loan Company that charged two per cent per month on loans of \$500.00 or less, and this figures out to a rate of 40.2%.

I still haven't figured out the "why's" and "wherefore's" of this. I do know that Canada tried a similar program and abandoned it as unworkable. I, therefore, would encourage you that, if we must have such a bill, we have

one that is workable and it would appear that the Senate bill is workable. But from the information that we have on the proposed House bill, it is not workable.

Again thanking you for your careful consideration of this problem, I remain

As ever,

BUD

H. M. TURNER, President.

(Mr. HALL asked and was given permission to revise and extend his remarks.)

Mr. WYMAN. Mr. Chairman, will the gentleman yield?

Mr. HALL. I yield to the gentleman from New Hampshire.

Mr. WYMAN. Mr. Chairman, I would like to observe, in view of the gentleman's remarks, that the proposal to deny State courts power to enforce State garnishment law is beyond the proper province of Congress. It is bad policy as well as of doubtful constitutionality.

Forty or more States have State laws on this subject. Are we to say that these laws are impotent by congressional fiat? If so, on what authority? This is not for Congress to do. This is not interstate commerce. Surely it cannot be said to be authorized under the welfare clause.

(Mr. HALL asked and was given permission to revise and extend his remarks.)

Mr. WYMAN. Mr. Chairman, I move to strike the requisite number of words.

Continuing, if I might, in response to the gentleman from Missouri [Mr. HALL], it seems to me that to say that the State courts may not use their processes to enforce such remedies of garnishment as State law may provide within the several States, is unwise, and I believe unconstitutional as well.

I do not know what memorandum the gentleman from Wisconsin just referred to in support of the constitutionality of this proposal I heard something about monetary powers I think. This is stretching it pretty far unless a transaction for which garnishment aid was sought arose in or out of interstate commerce, and is required to have so arisen in the language of this bill which is not the case.

I do not believe that we have any business to say that no State court may execute or enforce orders in violation of this act, or for that matter to go on, as the bill does, and give the Secretary of Labor authorization to make regulations to supplant the laws of the several States in this field.

At an appropriate time I intend to offer an amendment to strike the words "or of any State" in line 2 on page 41 so as to make it clear that only Federal courts are involved in this section 202, not the State courts.

I believe the gentleman should be commended for bringing this to the attention of the Committee. It would be a great mistake for this body to pass this legislation in the form in which it is presently written, at least in this respect.

Mr. WIGGINS. Mr. Chairman, will the gentleman yield?

Mr. WYMAN. I yield to the gentleman from California.

(Mr. WIGGINS asked and was given permission to revise and extend his remarks.)

Mr. WIGGINS. Mr. Chairman, I thank the gentleman for yielding so that I may express my views on title II of this bill in greater detail. As the Committee knows, title II prohibits the garnishment of wages under certain circumstances.

The hearings before the Banking and Currency Committee have demonstrated clearly that some creditors abuse the right created by State law to garnish the wages of debtors. It is doubtless true that these abuses have contributed to the alarming increase in personal bankruptcies throughout the United States. There is abundant evidence that some regulation of the garnishment procedure is necessary.

The proposal set forth in title II of the bill follows the procedure practiced in New York State. I have no objection to that procedure, and indeed believe that similar legislation would be salutary in each State. I do question, however, whether the Congress of the United States has the power under our Constitution to prescribe a uniform garnishment procedure for each of our States.

Section 201 of the title in question anticipates this constitutional question and declares that the garnishment of wages has resulted in a substantial burden upon interstate commerce. In my view, Mr. Chairman, the Committee is merely grasping at straws to justify this questionable extension of the Federal power.

All of us must constantly remember that many things which need to be done are beyond the power of Congress to accomplish. These needs must be met, if at all, by the individual or by State government. In the long run, the people of America will be served better if this separation between the power of the National Government and that of the States is maintained.

It is my view that Congress has no power to enact provisions modifying the rights of creditors as determined by State law, except as a part of its comprehensive legislation dealing with bankruptcy, or to establish uniform rules of civil procedure for State courts.

Title II of this bill is clearly severable from the other titles, however, and for that reason it is my intention to support this legislation notwithstanding the provisions of title II thereof.

(Mr. WYMAN asked and was given permission to revise and extend his remarks.)

Mr. WYMAN. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

TITLE II—PROHIBITION RESTRICTION OF GARNISHMENT OF WAGES

SEC. 201. The Congress finds that garnishment of wages is frequently an essential element in predatory extensions of credit and that the resulting disruption of employment, production, and consumption constitutes a substantial burden upon interstate commerce.

AMENDMENT OFFERED BY MR. MONTGOMERY

Mr. MONTGOMERY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MONTGOMERY: On page 40, beginning at line 6, strike out all of section 201.

(Mr. MONTGOMERY asked and was given permission to revise and extend his remarks.)

Mr. MONTGOMERY. Mr. Chairman, I have a straightforward, simple amendment here, that I would like to explain to you.

Actually, my amendment strikes out section 201. If my amendment is adopted I have subsequent amendments which will also take out sections 202, 203, and 204 of title II, which is the garnishment section.

In other words, what I am trying to do is eliminate the garnishment section from this bill to make it a better bill. So I certainly hope the Members will support my amendment.

May I say this, Mr. Chairman: If this section is not taken out of the bill, and it becomes the law, then the Federal laws that have been set on this floor on garnishment will supercede most of the State laws that we have today.

I am proud of the good laws that we have in our State pertaining to garnishment, and, as I say, this will affect most of the States.

Mr. Chairman, I would like to say that it is just as simple as this: If you want the States to regulate their own garnishment laws, then you vote for my amendment. If you want the Federal Government to regulate and move in on the State authority, then you vote against my amendment. It is just as simple as that.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. MONTGOMERY. I yield to the distinguished chairman.

Mr. PATMAN. I thank the gentleman for yielding.

What I have to say refers to our strategy here, and this is what I am getting to: It is my understanding that both sides have finished their amendments, and we are almost up to a vote. If we vote on this, this is really the issue that is causing so much controversy. I know that, and I believe the Members understand the merits and have made up their minds pretty well. So if we can agree on a time to vote on this, we would be willing to do it. And then if the gentleman succeeds in his amendment, if we strike out this section, we would entertain the other amendments, but if the gentleman does not succeed, then there would be no need to entertain the other amendments.

Mr. ROGERS of Colorado. Mr. Chairman, will the gentleman yield for a parliamentary inquiry?

The CHAIRMAN. Will the gentleman yield for a parliamentary inquiry?

Mr. MONTGOMERY. I yield to the gentleman.

The CHAIRMAN. The gentleman will state his parliamentary inquiry.

Mr. ROGERS of Colorado. Mr. Chairman, the amendment offered by the gentleman from Mississippi strikes only section 201. The recommendations under the rule were to take up the committee amendments. Now, the committee amendment as it appears on page 40 at line 20 would indicate that it would strike section 202, 202 (a) and (b). The parliamentary inquiry is this: In the event the amendment offered by the gen-

tleman from Mississippi is adopted, then what happens to section 202 and the recommended committee amendment?

The CHAIRMAN. Then the Committee would consider section 202 when it is read.

Mr. MONTGOMERY. I have an amendment to sections 202, 203, and 204 prepared, Mr. Chairman.

Mr. PATMAN. Would the gentleman be willing to test his case on that one and then if he wins on that we can take up the others? If you do not, then, of course, it would be unnecessary and we could get through here in perhaps the next 30 minutes.

Would the gentleman agree on 10 minutes of discussion on your amendment and you have 5 more minutes and the opposition have 5 minutest to oppose it?

Mr. MONTGOMERY. Mr. Chairman, I am about through. I have said what I wanted to say. I certainly hope this Committee will support my amendment. I have a good amendment and it will make the bill a much better bill if the garnishment section is taken out of the bill.

Mr. RESNICK. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I rise in opposition to the Montgomery amendment.

I support the Halpern amendment although with a great deal of reluctance and with reservations.

I had hoped that the distinguished Committee on Banking and Currency in its deliberations would have seen fit to completely eliminate the garnishment racket. For a racket it has become—one that each day victimizes the Nation's workers through shakedowns, lost jobs, personal anguish, and humiliation. Indeed, I have evidence that proves the very fear of garnishment is one of the major causes of voluntary bankruptcy.

I am certain that my good friend and esteemed colleague from New York offered his amendment in good faith with the hope that it would rectify some of the gross inequities that now exist in many of our States.

The Halpern amendment is patterned after the New York State law. In theory, this law is just and equitable for the creditor and the debtor. Thus, I support the amendment.

But I must warn my distinguished colleagues that when not properly enforced, New York's statute in practice can be as harsh, unjust, and unyielding as laws which even in theory give only minimum protection to the debtor.

This problem has always concerned me. I believe that garnishments most hurt those persons least prepared to defend themselves from unscrupulous merchants, finance companies, professional collection agents, city marshals, process servers, and other parasites who feed off the lifeblood of our workers.

These are the very people who are burdened with low incomes, who know nothing of legal processes, and who, in most instances, have no one to turn to for help.

I became directly involved with this problem when one of my constituents in Ulster County, N.Y., quite innocently and through no fault of his own was caught in the squeeze rollers of New York's garnishment mill.

Within 10 short weeks this hardworking, respectable citizen and homeowner lost his spotless credit rating. The mere fact that an income execution was filed against him was enough to make him feel that even after 7 years of loyal and faultless service, he would never again be promoted.

Imagine how he felt as a law-abiding American, brought up to respect the law and its officials, to find that officials were using the law to persecute him instead of to protect him.

In October 1964, he purchased a food freezer and food plan from Natpac, Inc., of Poughkeepsie and Ozone Park, N.Y., for \$1,600.

He regularly met his obligations. In July 1967 Food Financiers—a collection agency owned by the very same men as Natpac—claimed that he owed it \$90 and immediately threatened garnishment.

In fact, he owed only \$20 which he promptly mailed to settle the debt. But instead of receiving an invoice marked paid in full, Food Financiers informed him he still owed \$90, and before he knew what happened, it billed him for an additional \$60 in court costs.

Even though this man had complete proof that he had paid in full, this callous outfit immediately invoked New York State's garnishment law to collect its nonexistent debt.

From beginning to end the actions taken by Natpac, Food Financiers, its attorney Milton Kostroff, City Marshal Max Grabel, and Process Server William F. Niles show clearly that these people were not interested in collecting a just debt, but in victimizing their customer—whose only crime was to be foolish enough to deal with this group of human vultures in the first place.

Using the Brooklyn civil court as their unwitting accomplice, Food Financiers and Mr. Kostroff conjured up this fictitious debt; employed a process served and a city marshal who were perfectly willing to perjure themselves and violate the clear, basic requirements of the State law; obtained a default judgment from a court that had no jurisdiction over their customer—but because of improper papers was led to believe that it had jurisdiction; and improperly garnished his wages.

A quick catalog of the crimes they committed include perjury, fraud, and conspiracy—all indictable under the New York State Penal Code. It appears they even used the U.S. mails illegally to get their pound of flesh from a helpless victim.

One reason that these vultures were able to operate with such horrifying precision and speed is that the very court officials charged with seeing that the laws are justly and equitably administered, closed their eyes and overlooked the plan provisions of the law. From beginning to end no judge ever questioned any aspect of this obvious flouting of the law.

Time does not permit me to disclose all the complex and startling machinations of this case. Under unanimous consent I shall shortly include in the Record the full facts of this case. They will be turned over to the proper authorities

in New York State, where hopefully steps will be taken to enforce the law as it was written.

The parties in this case are so conscious of their guilt that as soon as my office called for an explanation, Attorney Kostroff vacated the judgment, claiming all was a terrible mistake.

After learning the depths and dimensions of their operation I doubted that such a slick machine could be established to garnish the wages of just one man.

My doubts were well founded. Further investigation shows that Mr. Kostroff is an expert par excellence at his racket of bleeding the innocent. Twenty-five percent of all garnishments handled by the Brooklyn civil court come under his name. Of 100 collection cases handled by this sworn officer of the court last year, every last one of them started with a default judgment—no defendant showed up. The logic of the situation leads but to one conclusion: This could not be pure coincidence; the law is being flouted.

Again, time does not permit full disclosure of the many criminal deeds committed in the name of New York's garnishment law. These, too, will shortly be entered into the RECORD.

Bear in mind that the abuses I have described here occurred in my State of New York which now enjoys the protection of a reasonably strong law. We can only speculate about conditions in other States in which the unsuspecting consumer does not enjoy even this much protection.

Therefore, I urge this body to first pass the Halpern amendment and second to insist upon stern and rigid enforcement of it within each respective State.

I recognize that this is not the perfect law. I visualize ultimately the passage of a law which will prohibit all garnishment. However, this is a decisive and important first step, which deserves our support.

Mrs. MINK. Mr. Chairman, I wish to state my support for this legislation which I believe will better advise American buyers and consumers of their financial obligations as they participate in the healthy growth of merchandising in our country.

Certainly, all of us as consumers have contributed greatly to the record 8 past years of prosperity in America. Needless to say, we have also shared in this growth of our economy and our goal should be continued progress with increasing benefits for all persons. Unfortunately, as improvements in our way of life continue each day, the complexities of an urban society have reached a degree where the long-observed principle of let the buyer beware is no longer a realistic statement.

I believe, as many others have previously stated, that the road to a still higher standard of living must include some methods of advising buyers and consumers of the various aspects of their actions. They must receive some protection for the purchase they make and they must be informed completely of the financial obligation they are accepting in requesting credit. I believe that H.R. 11601 contains many features which will accomplish these goals.

In brief, this legislation will offer this protection by—requiring merchants and lenders to state clearly and fully the finance charge to be imposed; requiring a clear statement on the cash price of purchases, less the down payments and trade-in. It must also disclose the finance charge; and requiring all time payment plans to be explained in open-end credit accounts.

President Johnson recognized the need to assist buyers when he told this Congress in his state of the Union message a few weeks ago that—

When we act to advance the consumers' cause, I think we help every American.

The President then reminded us that—

The Senate has already passed the truth-in-lending bill.

We can recall that he pleaded with the House to "immediately act" on the same measure.

Mr. Chairman, legislation of this type has been introduced in each Congress since 1958 but without final action. The hesitancy to act, I believe, is due to a misconception of its purpose which is simply to equip buyers and consumers with better information to use in making purchases. It will make it easier for the purchaser to make comparisons—thereby, I believe, increasing his interest in merchandising. It should not place a damper on his enthusiasm for the new products of the home and business.

Moreover, this measure should not be interpreted as another Federal control to harness individual initiative. It is not an effort to impose conformity in merchandising.

I must repeat what I said in 1966 in support of this legislation. It was:

Basic issues of honesty are involved, as well as an affirmation of the principle of business competition through a fair disclosure of what the consumer is getting for his money. This legislation is promulgated on very basic American principles: the right of the consumer to know what he is buying and the obligation of the businessman to disclose what he is selling. I believe that these measures deserve the support of all fair-thinking Americans.

President Johnson's message of February 5, 1964, on the appointment of a Consumer Committee contains some statements which are still timely. He said then:

America's economy centers on the consumer. The consumer buys in the marketplace nearly two-thirds of our gross national product—\$380 billion out of an output of \$600 billion. . . . My special assistant and the new Consumer Committee will lead an intensified campaign . . . to fight side by side with enlightened business leadership and consumer organizations, against the selfish minority who defraud and deceive consumers, charge unfair prices, or engage in other sharp practices.

The consumer credit system has helped the American economy to grow and prosper . . . The antiquated legal doctrine "Let the buyer beware" should be superseded by the doctrine "Let the seller make full disclosure." I recommend enactment of legislation requiring lenders and extenders of credit to disclose to borrowers in advance the actual amount of their commitment and the annual rate of interest they will be required to pay.

Finally, I am advised that witnesses who appeared at public hearings to support this legislation unfolded shocking

tales of how consumers have paid as much as 100 percent, and in some cases 200 percent, rates of interest for appliances and automobiles.

Most often, the witnesses told of interest rates which averaged 60 to 70 percent. Often, these rates included padding and fictitious fees.

There was also some evidence of a link between the underworld and the growing loan-shark racket, intimating that the present system coddles the unethical who would be driven out of business by more honest dealers if disclosure legislation is adopted.

I join President Johnson in pleading with my colleagues to support this legislation.

Mr. JOELSON. Mr. Chairman, the increase in consumer credit in the United States is one of the phenomena of our economy.

In 1939, there was only slightly more than \$7 billion outstanding in consumer credit, while at the end of September 1967 that figure had risen to more than \$95 billion. Thus, it can be clearly seen that consumer credit is growing at a rate far in excess of the growth rate of our total economy.

Unfortunately, laws regulating consumer credit and safeguarding those who use credit have lagged behind the phenomenal growth of consumer credit. It is, therefore, indeed gratifying that the House is now presented with an opportunity to pass legislation that will have the overall effect of assisting everyone who must use consumer credit. For this reason and many more, I strongly support H.R. 11601, including the provisions removing the \$10 credit charge and the revolving credit charge exemptions from the bill. Since the use of consumer credit is so widespread, we would be remiss if we did not pass legislation that deals fully and equitably with the problems surrounding the use of consumer credit. In too many cases, legislation has been passed granting exemptions, only to find out at a later time that the exemptions virtually nullify the total effect of the legislation. No discussion of this legislation would be complete without pointing out the outstanding work that my colleague, the gentleman from New Jersey [Mr. MINISH] has performed, not only in this bill but in the whole area of credit extension.

As a member of the Consumer Affairs Subcommittee of the Committee on Banking and Currency, which held extensive hearings on this bill, the gentleman from New Jersey [Mr. MINISH] was a vigorous and strong campaigner for meaningful legislation. He voted against every attempt to weaken the bill and fought equally hard for amendments to strengthen the legislation.

It should also be pointed out that during the 89th Congress the gentleman from New Jersey [Mr. MINISH] headed a special subcommittee to investigate the problems of servicemen when they attempted to obtain credit or to borrow money. It was due, in a great part, to the efforts of the gentleman from New Jersey that the Department of Defense subsequently issued its own truth-in-lending directive designed to protect servicemen from sharp practice credit extenders. I personally feel that the gentleman from

New Jersey's work as chairman of that special subcommittee was one of the outstanding achievements made by a Member during the 89th Congress. It would have been easy for the gentleman from New Jersey to have rested on the laurels achieved during the 89th Congress, but instead, he has thrown his full weight and talents into the fight for a strong truth-in-lending bill.

The people of his district, the State of New Jersey, and the country can be thankful that Congressman MINISH is in their corner.

Mr. HELSTOSKI. Mr. Chairman, because industry and business will not police themselves for the protection of the public, it becomes necessary that Congress undertake to furnish the protection of public interest in several fields.

Recent actions of the Congress included the truth in packaging legislation and the Highway Safety Act. Under these two pieces of legislation we have accomplished what industry neglected to do for many years. We have provided for uniform packaging and labeling of goods sold in interstate commerce. We have provided for additional safety features in our motor vehicles. Now, because business would not take action to provide for uniform disclosure of credit costs, Congress has today undertaken the task of legislating into law a bill which would require the truthful disclosure of interest rates and credit costs to the general public on their credit buying.

The objective of this truth-in-lending legislation is to provide consumers of products, bought under time payments, some relevant information as to the cost of these purchases. There is much misleading advertising in the interest rates being levied on loans or purchases. An advertised rate of 4 percent does not truly reflect the actual rate of interest charged on a loan, for example a loan in the amount of \$550, repayable in \$50 installments over a period of 1 year will add up to 17 percent as the true interest rate. However, that information is not communicated to the borrower by the lender. And it should be so communicated.

Mr. Chairman, this is a far-reaching bill, it could rightfully be called a bill of rights for the American consumer. It is a culmination of 7 years of hard work of Congress to enact such legislation, and we should acknowledge the efforts of former Senator Paul Douglas in pioneering this fight to adopt an effective truth-in-lending bill. But the fight is not yet over, as there are several obvious and glaring loopholes in this legislation. I hope that these will be closed and shall support any amendment which will close these loopholes.

I support H.R. 11601 and am a cosponsor of this legislation through my own bill, H.R. 12063, which strives to attain the same objective as that embodied in the legislation under debate at present.

We have waited a long time for this legislation and I wish to commend the distinguished chairwoman, the gentlewoman from Missouri [Mrs. SULLIVAN] and other members of the committee, for their hard labors and the long hours that they spent to develop this meaning-

ful legislation. They deserve the highest praise and my heartiest commendation in bringing out the most effective bill possible.

Mr. Chairman, the whole purpose behind this legislation is to assure the buying public of clearly understandable and readily comparable information on the various types of consumer credit proposals so that the consumer can best decide which offer is best in the terms of dollars and cents and his ability to obtain a better "buy" through some other means.

Buyers and borrowers must have the fullest knowledge of what they are paying in terms of interest on their outstanding indebtedness and if it is necessary that we protect their rights by legislation, we have the vehicle to do so in the present bill.

The legislation provides the consumer with protection against misleading advertising of credit charges and rates. This is the form of protection which is obviously needed and this day is our opportunity to serve our American consumer to our fullest capacity.

There can be no doubt in my mind that the votes that are cast on this measure will be carefully scrutinized by our constituents as to whether they are cast in favor of the consumer or the moneylender.

Mr. Chairman, I urge the adoption of strengthening amendments and eventual passage of the Consumer Credit Protection Act.

Mr. O'NEILL of Massachusetts. Mr. Chairman, I rise in support of this bill, H.R. 11601, the Consumer Credit Protection Act. This is a fine bill—necessary to protect the consumer by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes.

I think this bill is a tribute to the fine work of the distinguished chairman of the Banking and Currency Committee and of the distinguished chairman of the Subcommittee on Consumer Affairs, the gentlewoman from Missouri. It reflects the concern of the members of the committee who worked diligently to produce this bill. I believe it also reflects the foresight and dedication of our former colleague, Paul Douglas, who 8 years ago began the fight for truth in lending.

The popular name for this legislation, "Truth in Lending" is, I believe, appropriate. The bill calls for disclosure, for truth, in credit transactions, and sets maximum rates for finance charges.

It is hard to imagine any good reason

for opposition to this bill. We merely want the truth and the prevention of usury. We have all seen the paper today. The Honorable Paul Rand Dixon, Chairman of the Federal Trade Commission, reaffirmed what we have known and what we are trying to end. The poor pay more. Those people who cannot afford to pay cash and must turn to credit, end up paying more for their goods, much more.

An excellent article in this past Sunday's New York Times magazine section pointed out that those people who need cash in a hurry end up paying unbelievably high interest—or are forced to repay their debts with dishonor, crime, or their lives.

Mr. Chairman, this is intolerable. We seek today, with this bill, to begin to put an end to exorbitant and usurious rates of interest. And we must remember that it is not only the criminal loan sharks who charge these rates, but also some legal businesses that hide their high interest rates under "terms per month" or "pennies per day." We are only asking that the consumer, the citizen, be allowed to know what he must pay for credit financing; that he be able to compare financing plans and choose what is best for him.

In this regard I fully support Congresswoman SULLIVAN's amendments to the bill, to eliminate the exemptions to annual rate disclosures. The gentlewoman and the honorable chairman of the full committee have explained why and how these exemptions can lead to abuses and circumventions of the law.

We do not want to pass legislation that includes exemptions which enable unscrupulous businessmen to avoid and ignore the effects of this legislation.

And we are talking about unscrupulous businessmen. The support for this legislation from the business community shows that honest businessmen have no qualms about the enactment of this legislation. We are asking for truth, for fairness, and this does the honest man no harm.

Mr. Chairman, I urge my colleagues to support this legislation and to exclude the exemptions in the committee bill.

We mean to protect the consumer. Let us do that fully.

Mr. FRASER. Mr. Chairman, I plan to vote for this bill, and I am sure that most Members will do the same. The bill has been accurately described by its principal author, the lady from Missouri [Mrs. SULLIVAN] as the most important piece of consumer legislation in years. Every citizen of this Nation owes a debt of gratitude to Mrs. SULLIVAN for her patience and hard work in moving this vital legislation through her subcommittee, through the House Committee on Banking and Currency and, I hope before the afternoon is over, through the House.

It is no exaggeration to state that every American will, directly or indirectly, be affected by passage of this bill. Credit, whether for individuals, corporations, or governmental units, is an integral and expanding part of the U.S. economy. Interest payments are made, as the distinguished chairman of the Banking and Currency Committee pointed out Tuesday, on hundreds of billions of

dollars. Of this total, he said, interest is being paid on some \$96 billion in consumer credit alone. And, since the end of World War II, consumer credit has grown at a rate $4\frac{1}{2}$ times greater than the growth rate of the American economy.

In view of these staggering figures, congressional passage of a measure to protect the consumer by telling him exactly what interest he is paying is many years overdue. This afternoon we have the opportunity to make up for those lost years. An accolade also is deserved by former Senator Paul Douglas of Illinois, who first introduced a truth-in-lending bill.

However, the bill passed by the Senate last year was a pale echo of the strong legislation that is urgently needed. The House Banking and Currency Committee and Mrs. SULLIVAN's Subcommittee on Consumer Affairs are to be commended for putting teeth into the relatively toothless bill approved by the Senate.

The growth of credit in the United States has been accompanied, as many a bankrupt American can testify, by the tragic corollary growth of dishonest, unscrupulous, and immoral practices by a small minority of lenders. Usurious interest rates prey on unsuspecting and uninformed citizens whose lives often are ruined by the overwhelming burden of unnecessary debts. This bill would be a major deterrent to loan abuses because it would remove the shield of secrecy and misinformation behind which they now occur. At the same time, the bill would create no problems for the majority of legitimate lenders who have nothing to hide.

As other speakers have urged, I feel strongly that the two proposed amendments should be opposed: one to exempt revolving credit in the measure and the other to exempt credit charges of \$10 or less. Defeat of the first would protect the consumer from being misled by the high interest rates charged on revolving charge accounts by department stores and would eliminate the discrimination in the present bill against merchants and businessmen who do not offer revolving credit. Defeat of the second would protect the small borrowers, many of them poor people, who make loans under \$100.

It is noteworthy that the bill before us has the widespread support of the business community, and very little opposition. This was not the case a few years ago. Every Member has, I am sure, received considerable mail on this bill. One appliance dealer from my district of Minneapolis had this to say about revolving credit:

This revolving credit monthly rate feature definitely favors the large chains and department stores—and weighs unfairly on the small retailer. If the giant retailers who use "revolving" can quote monthly rates—then any retailer should be allowed to do the same, regardless of the contract form.

The bill, Mr. Chairman, has the overwhelming support of the people. In a questionnaire to my district last fall, by far the highest approval—more than 90 percent—was for truth in lending. There is no good reason why the bill should not be passed. There is every reason why it should.

Mr. MORRIS of New Mexico. Mr. Chairman, we have heard a lot of debate on this issue, not only here this afternoon but on the floor of the House on previous occasions and in the press. All of us have been subjected to letters, telegrams, memos, and so forth, from a number of sources urging action this way and that. I have chosen to concentrate on one point which to me is a crucial one, and which brings the whole revolving credit question into focus. This is the mathematical question which has been spoken of so frequently—is the charge of $1\frac{1}{2}$ percent which is made each month by the department stores really an annual rate of 18 percent. If it is, then the gentlewoman from Missouri [Mrs. SULLIVAN] is correct and these charges should be reported on an annual basis. If it is not, then the stores are correct in complaining that Congress would force them to lie in the name of "truth in lending," adopted by Mrs. SULLIVAN's amendment.

It would seem to be an easy point to resolve, mathematics being about as exact a science as we have available to us. But the old cliché that "figures don't lie, but sometimes liars figure," seems to enter the picture here, because both sides present us with carefully worked out mathematical charts to prove either that the charge is 18 percent or that it is not.

Under Secretary of the Treasury Joseph Barr put his finger on the trouble when he testified at the hearings before the subcommittee. Both sides, he indicated, were right in their arithmetic. The difference is that the retailers assume that the credit is extended at the time of the sale, while Mrs. SULLIVAN and Mr. Barr assume that the credit is not extended until the first billing date.

This, then is the crux of the problem. When is the credit extended? If we decide that it is at the time of the purchase, we must agree with the majority of our committee and adopt the amendment they recommended. If it begins at some other time, we should go along with Mrs. SULLIVAN.

Retailers insist that the credit is extended at the time of the sale because when a customer walks from the store with goods for which she has not paid, they have no option but to call that transaction a credit sale in their bookkeeping. Certainly it is not a cash sale, since they have given up the goods but received no payment. If we agree with Mrs. SULLIVAN that it is not a credit sale until a charge for the credit has been levied, we are faced with the question, "what kind of sale is it? It is not cash, it is not credit—can we create some new category of transaction unknown before now?"

There is another way we can approach this question, based on the considerations urged upon us here in this debate. We have heard a lot about "equal treatment," and "everyone must have the same set of rules, without special exemptions." I would like to apply that general principle to the specific point I have raised. When is credit considered to have been extended in other types of credit programs? At the time of sale, or some other time?

All of us familiar with savings accounts know that, while we may not get

any interest unless we leave the money in the bank for the entire specified time, when the interest is added it is figured from the time of deposit. On Government bonds, the interest is computed from the date of purchase. On installment loans, the interest charges are figured from the date the loan is made. And so on. In short, if we are to give the retailers the "equal treatment" that Mrs. SULLIVAN and others insist is so important, we must concede them their most telling point, which is that the credit is considered to have been extended on the date the credit sale is made. And once we concede that point, which I feel we must, then we must accept their arithmetic which tells us unassailably that the $1\frac{1}{2}$ -percent charge made on a revolving credit monthly statement does not produce an effective rate of 18 percent. That being the case, what good are we doing for the consumer—the source of our ultimate concern—if we require the department stores to tell her something which simply is not true?

I think we should remember that the consumer is the one we are most concerned about. We want to treat all sellers and lenders alike, but it is the consumer we want to take care of. And if in our eagerness to get every part of the business community into some sort of theoretical equal pattern we end up telling the consumer something which is not true, we have missed the point. I fear that that is what we would be doing if we upset the committee amendments on the subject of revolving credit. I think it is instructive to note that although Mrs. SULLIVAN is the chairman of her subcommittee, with all the power and influence that position commands, she was unable to convince a majority of her subcommittee of the soundness of her position. The gentleman from Texas [Mr. PATMAN], the respected chairman of the full committee, agreed with her and threw his considerable prestige and influence on her side of the controversy, but again could not convince a majority of the members of the full committee of the soundness of that position. We all know what the Senate did. I suggest that we here in the whole House have had less of an opportunity to examine this question than the committee did. We should, in this instance, respect the expert opinion of the majority of our committee. I plan to support the committee amendments and urge all other Members of the House to do the same. I assure Mrs. SULLIVAN and Mr. PATMAN that this does not indicate any lessening of my personal respect for them and their abilities, but that I feel that in this situation they have not successfully made their case, either in committee or here on the floor. However, I do congratulate them both on their efforts to produce a meaningful bill, which I plan to support on final passage. In spite of my disagreement with them on this point, I continue to hold them both in high regard, as I am sure they both understand.

Mr. BROYHILL of Virginia. Mr. Chairman, I strongly support the legislation before us concerning consumer credit.

In recent years I have viewed with alarm the increasing number of personal bankruptcies and the tragically frequent

occurrence of family financial disaster. For the most part, both have resulted from the unwise use of credit.

I am quite aware that the proposed legislation we are now considering will not prevent such events from occurring, and I am also well aware of the importance of credit to our economy. I do not ask the tightened regulation of credit, but I do think that the general public needs to protect itself against the pitfalls of overborrowing and overextension.

Overindebtedness is a cruel and frightening thing that compounds itself with such ease that a victim so ensnared often "sinks" before he is aware of the crucial need to "swim."

It is to this "awareness" or this need for awareness that this legislation addresses itself. If a prospective creditor is made clearly aware of the cost of the debt he is about to undertake, he is better able to judge whether or not he can afford such an undertaking.

The language of credit in some fields has become so vague and at the same time so reassuring that it is no small wonder that debt is at an alltime high, coincident to the fact that rates of interest are approaching an alltime high.

It is time that the alarm be sounded. It is time that businesses alert their customers to credit costs. It is time for the consumer to become aware of these costs. At the same time, legitimate business interests should not fear or lament the loss of revenues resulting from full and honest disclosure.

Mr. RHODES of Arizona. Mr. Chairman, the House Republican Policy Committee supports consumer credit protection legislation.

Today, consumer credit totals more than \$95 billion. Of this amount, \$76 billion is represented by installment credit. Over \$31 billion is in automobile paper. The Federal Reserve Board has estimated that as of September 1967, revolving credit reached \$5.3 billion. The American consumer is paying approximately \$13 billion a year in interest and service charges.

The American consumer must have the information that is required to understand and compare the vast number of credit plans that are now available. Full disclosure of credit charges, add-ons, fees and service charges would permit the consumer to compare and decide for himself the reasonableness of the overall charge and to determine the payment method best suited to his particular financial situation.

As reported from committee, H.R. 11601 does not meet the problem of loan sharking which preys so heavily upon the poor. A Republican amendment will be offered that will make it a violation of Federal law for anyone engaged in interstate commerce to lend money at rates of interest held to be illegal under the statute of the State in which the transaction takes place. This will permit Federal law enforcement to assist the States in ridding our country of loan sharking and in denying to organized crime one of its principal sources of revenue.

This amendment and the consumer credit protection legislation merits the broadest possible support. We urge its adoption.

Mr. GALLAGHER. Mr. Chairman, I rise today to support H.R. 11601 in its expanded form. The spirit of the bill requires that we pass the amendments on revolving credit and do not allow annual interest charges under \$10 to escape full disclosure.

At the beginning of my remarks I wish to pay tribute to the Honorable Paul Douglas, the former Senator from Illinois. Consumer protection was a consuming interest with Senator Douglas and we have an opportunity today to erect a living monument to his courageous flight. When Senator Douglas first introduced a truth in lending bill in 1959, it may very well have been that he was before his time. But the American process of political education through lively debate centered around proposed legislation has made the time for Senator Douglas' foresight come to fruition. For years he and a few others waged a lonely fight; we can now all share with him his victory.

H.R. 11601 as reported from committee is a good bill, a necessary bill, a bill which responds positively to a problem which has grown to overwhelming proportions in our credit oriented society.

Of particular interest to me in the committee measure is the provision which restricts the garnishment of wages for failure to meet the terms of a credit transaction. This limitation of the amount of a man's salary which can be garnished is an important step in establishing and continuing a sense of stability in the marketplace and will relieve an oppressive burden from a man who is in financial difficulty. I strongly suspect that this provision will prove beneficial for merchants also, for they will have a better opportunity to receive the full sum owed to them while not totally alienating someone who will undoubtedly return to the marketplace. This humanitarian provision recognizes that men who get into financial difficulty are very seldom irresponsible, but are men who merely wish to enjoy the fruits of our unprecedented prosperity before they can full shoulder the obligations. This provision will give a man a chance to solidify his fiscal position in an orderly and dignified manner, without submitting to the degrading process of bankruptcy.

Mr. Chairman, the other provisions of the committee bill are, by and large, forthright and intelligent measures. I am proud to associate myself with those who have found the patience and wisdom to bring truth in lending into such a cohesive and comprehensive legislative package.

But, as good as this bill is, as useful and valuable as the committee bill is, there is more that must be done. The distinguished gentlewoman from Missouri [Mrs. SULLIVAN] has clearly called upon us to extend in a most logical manner the provisions of the committee bill. I am pleased to recommend the same course.

The first of these amendments will require that interest charges of under \$10 a year must be specified as to the rate of interest. The second will require that all retail credit plans, regardless of their type or form, must disclose the yearly rate of interest.

I think it is self-evident that those who charge a small purchase on a short contract are just as entitled to full disclosure of their yearly interest as are those who borrow a large amount over a longer period of time. The overwhelming truth in our society that everyone must receive equal protection under law demands that the right of knowing interest rates will be extended to everyone who buys on credit. I regard the passage of this amendment as crucial to the success of the bill.

Mr. Chairman, the growth of revolving credit plans presents a powerful argument for the passage of the second of these amendments. In 1960, 2 percent of all consumer credit was of this kind; in 1967, 5 percent; and it has been estimated that by 1970, fully half of all credit sales will be made under this system. It is difficult to predict how much further this type of credit sale will rise if the Congress refuses to require full disclosure of yearly interest rates.

It has been said, with some point, that this type of credit should be excluded because of the grace period before credit charges begins and because it is possible to pay off the full outstanding amount in a very short time, thus eliminating a full year's interest. However, I do not think these arguments, as persuasive as they may appear, are sufficient reasons to exempt revolving charge accounts from full disclosure.

One and one-half percent per month sounds a lot more attractive than 18 percent a year. In order for the consumer to be able to evaluate different credit proposals by competing stores, he must be able to know the rate of interest he is expected to pay on a yearly basis. If this provision is not added to the bill, we will create a privileged class of lender, penalize smaller merchants, and prevent a borrower from realistically comparing one credit plan with another.

Mr. Chairman, I think that H.R. 11601 represents a significant breakthrough in consumer protection. Its provisions will be strengthened by the additions being proposed by the very able Congresswoman, Mrs. SULLIVAN. I strongly urge my colleagues to defeat the unjust exemptions provided in the committee bill and to back her amendments.

Mr. PATMAN. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union reported that that Committee, having had under consideration the bill (H.R. 11601) to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emer-

agency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes, had come to no resolution thereon.

MAJOR STEPS ARE NEEDED NOW TO CURB CRIME NEXT SUMMER

(Mr. SIKES asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. SIKES. Mr. Speaker, many times during the past year I have spoken out on the essentiality of curbing crime and putting an end to violence in the streets in the United States. I am convinced from my own contacts with the people of my district that no issue is of greater importance to them. The spontaneous and prolonged applause from Congress which greeted the President's comment on this subject in his state of the Union message adds credence to my belief that crime and violence in the streets will be a top issue in this year's election. Certainly the need for dealing now with this problem is high in the thoughts of the people.

The President said:

We at every level of government in this nation know that the American people have had enough of rising crime and lawlessness.

I am concerned—quite concerned—that the President has not made it clear that he is prepared to go all the way in his war on crime. The specific measures which he requested for dealing with this problem are an increase from fifty to a hundred million dollars in his "safe streets" bill to assist the States and localities in improving their police work, and the addition of 100 FBI agents to help strike at organized crime. This is a small start for such a big problem. It bypasses the immediate need to take broad steps to control crime and to eliminate violence in the streets. The situation requires a realistic and thoroughgoing approach which faces up to the entire problem now.

There are measures before Congress which are needed in this fight. One, to deal with agitators who cross State lines, has passed the House but not the Senate. Others are bogged down in committee. Administration support could pry them loose. Nevertheless, the fact must not be overlooked that there are laws—Federal or State—on the statute books now to deal with nearly every law-enforcement problem which confronts us. The real difficulty is in securing adequate law enforcement and obtaining punishment for the criminals. In this, example is the best precept. We cannot disregard the fact that the Federal Government, through its Department of Justice, has failed to prosecute a single one of the conspirators who were responsible for last summer's violence and there is little to indicate a change in attitude in this Department.

Avoiding a repetition of last summer's rioting and the accompanying rise in crime is a matter of greatest importance. A second failure to face up to insurrec-

tion can mean America is looking death in the face. It should be made very clear now that this situation will not be tolerated again. To insure this, strong and immediate preparation is essential. In this, the Federal Government must provide an example for the rest of the Nation. Major steps are needed now to curb crime next summer.

THE CALLUP OF AIR RESERVES

(Mr. MICHEL asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MICHEL. Mr. Speaker, while the pirating of the ship *Pueblo* is indeed a most humiliating matter for our Nation, the President's callup of Air Reserves in response to it should be put in its proper perspective.

This callup really has very little to do with the *Pueblo* incident, except for the fact we had nothing to come to the aid of the *Pueblo* in time in the area when she was in distress. The real reason behind the callup is our tremendous losses of planes and pilots in the war in Vietnam. The President has now used the *Pueblo* incident as a convenient distraction to mask the fact that the limited bombing policy, and the selectivity of targets has depleted our forces without appreciably obstructing the enemy's ability to wage war. In fact, the well-coordinated attacks of yesterday tell us more clearly than all the "reassuring statements" of the administration that there are more Vietcong coming down the Ho Chi Minh trail—supposedly bombed out of usefulness—than ever before.

Before adding all the losses sustained in yesterday's attack on the ground and in the air, we have lost well over 3,200 aircraft in Vietnam. As of the 23d of January the breakdown shows 792 planes lost in combat over North Vietnam, 226 over South Vietnam. We have lost nine helicopters by hostile action in the North Vietnam, 498 in South Vietnam, and in addition 805 helicopters and support aircraft, and 889 fixed wing on the ground. Most of these losses can be attributed to Soviet rockets, planes, and guns.

It surely must have given the leaders in the Kremlin a sense of smug satisfaction for these great United States to appeal to the Soviet Union, of all nations, to help us recover the U.S.S. *Pueblo* and her crew from the North Koreans. While the State Department now tells us that better than 80 nations have been asked to help recover our ship and her crew, I do not expect any early results and the episode will go down as one of our sorriest and most tragic, having done irreparable and everlasting damage to the prestige and honor of our country.

ENFORCEMENT OF THE LAW MEANS ALL LAWS

(Mr. JONES of Missouri asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. JONES of Missouri. Mr. Speaker, I have had the opportunity to read a speech, given by our colleague, chairman

of the Agriculture Committee, the Honorable W. R. (BOB) POAGE, before a meeting of the National Wool Growers at Dallas, Tex., on January 29.

I want to commend the reading of this speech to all members of this body, because in my opinion it expresses the down-to-earth commonsense philosophy of what I consider to be one of the great Americans of our era, who has pulled no punches in setting forth some of the things that need correcting before we can return to the basic principles upon which this Nation was founded, and which made it great.

You may not be interested in wool growers or many of the problems of those who raise sheep, but I will guarantee that your time will not be wasted in reading the speech Chairman POAGE made at Dallas last Monday, when he summed up his remarks by stating:

No one ever makes his rights secure by ignoring the rights of his neighbor, and no one ever increases his own wealth by destroying the property of his neighbor or his community, and finally, no group can merely by calling it a "peaceful demonstration" change a riot into a picnic party. Nor can one, even the Supreme Court of the United States, justify looting and shooting by calling it an "expression of free speech". If you and I are to be free and secure in our freedom, we must be able to know the law, to read it in plain language and we must obey it as written—all of the laws, whether we like them or not, and we must require all others to obey.

Following is the complete text of Chairman POAGE's speech:

ENFORCEMENT OF THE LAW

(Speech of Congressman W. R. POAGE before National Wool Growers, Dallas, Tex., January 29, 1968)

Twelve years ago, it was my privilege to speak to your annual convention over in Fort Worth. At that time I explained that I was rather poorly qualified to discuss the problem of the sheepman because although my maternal grandfather was a sheepman, my father was an old time cowman who never did appreciate the characteristics of the lamb or its mammy—in spite of the recognition granted it in poetry, art, and even the Good Book. He just wouldn't have a sheep on his ranch—not even the pet which I so much wanted.

In spite of all this background, I grew up to know that there are not and never have been any finer people than those who grow the sheep, the goats, and the cattle—in short, the ranchmen of America. Among this group I am happy to number many of the finest friends I have anywhere, and among them America can count many of her very best citizens.

On one thing at least all these ranch people agree, whether they raise cattle or whether they raise sheep. They all agree, as do the overwhelming majority of Americans, that if our country is to remain free and great we must enforce the law—all the law. There are some groups in our country who seem committed to breaking down the law or in distorting all reason in the enforcement of the law so as to make a mockery of all efforts to punish the guilty.

Mob law is no substitute for justice, as many an early sheepman could testify, but justice denied or long delayed under the guise of paying tribute to some new found principle of "freedom of expression" may well invite a return of mob law and all its attendant injustice. I would hate very much to see us return to the "Lynch law" of either the Western frontier or of the River Bottom society of the Old South. Nor is there

any need for any such backward movement if our Courts will but help rather than obstruct the administration of justice.

That there has, indeed, been a serious breakdown in law enforcement needs no argument or statistics, although it may not be as apparent to those of you who actually come from the range country as it is to those of us who spend most of our time in big cities where it is often unsafe for grown men to be on the streets at night and where women are stabbed at noon while praying in a church, or where visitors are attacked and robbed in broad daylight on the very steps of the Nation's Capitol. Certainly, the situation is not yet so bad in Dallas or in Salt Lake City, but there is too much—far too much—disregard for law in every section of the country, and most of it lacks even the economic justification which the old time thief always offered. The horse thief or the cattle rustler of the frontier days could at least plead that he needed transportation or that he was trying to "get a start" in the cow business. The modern "thrill killer" or purse snatcher can generally offer no better excuse than that he wanted a "kick" either direct or through the purchase of a "pot" or other drugs.

This breakdown of law and order is not a phenomenon confined to any one segment of our country. It is not confined to Detroit or to Mississippi. It is not confined to our colored or to our white citizens. It is not, as so many like to suggest, a problem just of the ignorant or of the slum dweller.

Nor is it only a problem of the "hippies" or the intellectuals or of the college graduates—although there is clearly too large a percentage of college educated people who participate in these violations of the law and, for one, I think there is far less excuse for what has been happening on the campuses of the University of California than there is for the senseless and totally inexcusable violations which have erupted in the slums of Los Angeles. Surely the University student, who is enjoying both a good education and in most cases all of the physical comforts of life, has a greater obligation to set a good example than has the uneducated occupant of some disease infested slum area.

But, whenever we find citizens assuming for themselves the right to decide what laws they will obey and violating those which they decide are "bad," we have anarchy, and anarchy is always—"always" I said—followed by dictatorship. Anarchy can only exist long enough for the strong to assume control. It will always happen—the weak—the needy—the oppressed—will quickly lose all influence and all hope. The irony of this thing is that those who have the most to lose—those who most need the protection of the law—are in the forefront of the destruction of all law—for let it be very clear that there is no such thing as law enforcement where only those laws which the individuals look upon as "good" are obeyed. Law enforcement is indivisible—you either enforce all laws or soon you will be enforcing no laws.

Everyone, except the uneducated and the overeducated—and apparently the Supreme Court of the United States—knows these fundamentals of human behavior. All ordinary people who think in terms of human experience and of human limitations recognize that in any inhabited part of the world, where people come in contact with many other people each day, that it is possible to obtain freedom only "under law"—and through the impartial enforcement of all law. I am happy to pay public tribute to the great group of peace officers over our country. The great mass of them are doing a fine and conscientious job made unduly difficult by some of those who should be most helpful to them. I, therefore, want to give deserved recognition to our peace officers.

The American founding fathers knew quite well that even a government selected by a majority of the people could destroy the

rights of the individual just as truly as the government of King George III. They, therefore, sought to limit the fields of governmental activity, but surely they intended to offer no comfort to those who took the law in their own hands—and that, my friends, is the burden of my indictment of our modern scoff-laws. No man has the right to ignore even what he considers to be a wicked or unjust law. His recourse is to seek to change the law in the regular or Constitutional manner, and this seems to me to be one of the glaring weaknesses of the present Supreme Court's insistence that that body has the right to promulgate rules of behavior which its members consider to be in keeping with the conditions and the needs of the times. In effect, the Court has claimed for itself the right to decide what laws are "good", and what changes should be made from time to time.

As I understand our form of government, neither the Supreme Court nor the Executive has any such right. Only the Legislative Branch has the right to determine what rules will be given the force of law. The Constitution has not been changed. If a procedure was Constitutional 75 years ago, it is still Constitutional. Of course, there will be individual cases where the Court may properly find that its members erred in years past, but it cannot be that the members of the Court could have been correct in the past and that a different interpretation is now justified.

Certainly our Constitution needs change from time to time, but as the founding fathers suggested, those changes should be made in the manner agreed upon at the time of the adoption. On the other hand, strongly as I believe that the Court has been usurping legislative powers, I do not feel that the remedy lies in asking the Legislative Branch to usurp Judicial powers. Too often we hear the cry "Impeach Earl Warren". I think those who advocate this course do not realize that the power of impeachment was intended to correct moral wrong rather than to punish political philosophies with which the Legislative Branch does not agree. I would not, therefore, be a party to impeaching even Mr. Warren or anyone else without evidence of moral turpitude, and I certainly bring no such charge against any member of our Judiciary.

I do, however, think it is unfortunately true that a great many people are deterred from crime only by the certainty, and possibly to some degree by the severity, of prompt punishment. I would not strike down any of the devices of the law which have been built up over the years to make sure no innocent man may be punished, but I do object to those decisions and requirements of our present Supreme Court which add nothing to the protection of the innocent but simply make it difficult or impossible to arrest and to convict the guilty. I submit that until all our efforts are directed at a determination of the facts that we can have neither justice for the accused nor security for the masses of our people. I am afraid that in our proper zeal to protect the rights of the accused, we may have overlooked the basis and the purpose of all criminal law—and that is to protect the public and society from lawless acts. In other words, the State does not seek vengeance (vengeance is mine saith the Lord) but rather it seeks to make it clear that crime does not pay—and thus prevent further crime, either at the hands of the accused or of some other person.

May I, at this point, digress just long enough to mention three specific aspects of the present crime wave.

The first peculiar aspect is the reluctance and even refusal of so many of our citizenship to help cooperate with law enforcement officials. Of course, in our early days most of our law enforcement was dependent on citizen cooperation, and I suspect that in most of the range country that is still true. We still rely on the sheriff's posse. Certainly, if

an officer on the streets of Sonora, Texas or of Moab, Utah were to call for help, I am confident that he would get it from at least most of those within sound of his voice, but if an officer were to call for help in Washington, D.C., or Cleveland, Ohio, he better hope that some fellow officer is within hearing distance.

There are too many instances of crowds of cowardly civilians allowing crimes to be committed in their presence without any effort whatever to stop the criminals. In many instances the onlookers would not even call the police. I am happy that this is not yet the attitude of everyone. Just last month a young Mexican boy in Kansas City—Primitivo Garcia—saw a bunch of thugs attack his teacher. He went to her rescue. The thugs killed him. I want to bow my head in admiration for that Mexican boy. He was a real hero. I wish we had more of his kind. I hope no court excuses his murderers on the grounds that they were six foot, 20-year-old, "juvenile", guerillas.

The second aspect of the present wave of lawlessness possibly grows out of the attitude I have just mentioned. It is the prominence of violence—so-called "crime on our streets"—the unlawful use of force. Bands of human jackals are running loose in most of our large cities. They are generally the type who can only understand the use of force—the certainty of harsh punishment. I think that our easy parole practices have given them much encouragement, and certainly they have been greatly encouraged by the constantly increasing limitations our courts are imposing on the peace officers who would arrest and punish them.

The third group which lends color, although not respectability, to our present era is composed of the so-called "Peaceniks." I have a feeling that most of these are just cowards who are still afraid to join in the wolf gangs who attack old ladies on the streets. They are the group who are more likely to get their excitement by the use of dope—they are the type who like to cover their lack of patriotism with some kind of cloak or organizational respectability. They delight in describing their disobedience of the law as "non-violent." They are the magots who make their home with, and get their living from, the dregs of society, and yet all too many of our educational institutions and of our self-professed educators give a degree of sympathy and a reflection of the respectability to these unshaven vermin.

And now I want to mention an aspect of modern lawlessness which is possibly even more fundamental and even more disturbing. Most lawlessness develops from childhood disobedience. The obedient child is very likely to make a good and successful citizen. The disobedient child is a mighty good candidate for the penitentiary. As one who has no child I am not going to tell you parents how you should properly train your children. I will simply observe that it seems to an outsider that in all too many American homes there is little or no effort to teach the child that he must accept authority as long as he is a member of human society.

And this in turn leads me to the one aspect of lawlessness which, as I see it, is the most inexcusable of all criminal practices—and yet, it is unfortunately of widespread occurrence. I think that the crime of vandalism—that is, the useless and purposeless destruction of property, public or private—probably leads to more serious crimes than any other single practice. There is simply no need, use or justification for the breaking of street lights, windows in a school building, the scattering of bottles on the highway, the cutting of trees or flowers on other people's property, the slashing of auto tires, or the desecration of a cemetery. There is no act which does the actor so little good and which makes the world so much poorer than a purposeless act of wanton destruction.

DIGEST of Congressional Proceedings

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HIGHLIGHTS: House passed consumer credit protection bill. Both Houses received President's Economic Report.

SENATE

1. ECONOMIC REPORT. Both Houses received the President's Economic Report (H. Doc. 238) in which he stated: "Our unemployment rate, at 3.8 percent, matched that of 1966 and was lower than in any previous year since 1953...Farm proprietors' net income dipped, but by yearend had returned to the level of a year earlier ...Healthy prosperity has brought exceptional gains in production, incomes, and jobs...These are the priority problems facing us in 1968. 1. First and foremost, we must take the necessary steps to put our fiscal affairs in order...

2. We must slow down the wage-price spiral... 3. We must push forward vigorously to restore equilibrium in our international accounts... 4. We must deal more effectively with our urban problems... 5. We must continue the struggle to expand the opportunities available to every citizen... The war on poverty must go forward... I therefore urgently renew my request that the Congress enact a temporary 10-percent surcharge on corporate and individual income taxes... I am asking Congress for the funds necessary to support long-term measures to stimulate exports... I am asking Congress to take prompt action to free our gold reserves... we should approve a prudent AID program... extend the Food for Freedom Act... I am determined that our economic policies in 1968 will be prudent as well as creative; safe as well as ambitious; responsible as well as compassionate." pp. S719-26, H678-85

Several Senators and Representatives discussed the merits of the President's Economic Report. pp. S755-6, S781, H685-6

2. RURAL DEVELOPMENT. Sen. McGovern urged a rural development program to slow down the rural migration to the cities and inserted an article, "Effect of Type of Farming on Social Structure: Summary of Findings." pp. S773-9
Sen. Hansen was added as a cosponsor to S. 2134, to provide incentives for the establishment of new or expanded job-producing industrial and commercial establishments in rural areas. p. S743
3. VETERANS. Sens. Mansfield and Monroney spoke in favor of the recommendations contained in the President's veterans message. pp. S726-7, S779
4. ELECTRIFICATION. Received from this Department a report covering the activities of the Rural Electrification Administration for fiscal 1967. p. S727
5. STATE TECHNICAL SERVICES. Received from Commerce the annual report of the activities of the Office of State Technical Services for fiscal 1967. p. S727
6. BUDGET. Sen. Byrd, W. Va., inserted an editorial, "Congress and the Budget." p. S744
7. BALANCE-OF-PAYMENTS. Sen. Nelson inserted an article which draws attention to "our balance-of-payments deficit and inflation at home." pp. S757-8
8. PERSONNEL. Sen. Monroney inserted a Civil Service report on the administration of the life insurance benefits contained in the postal rate and Federal pay bill enacted in the first session of the 90th Congress. pp. S779-80

HOUSE

9. CONSUMER CREDIT. Passed with amendment S. 5, the truth-in-lending bill. H. R. 11601, a similar bill, passed earlier 382-4, was tabled. pp. H687-914 714
Rep. Mink commended and inserted an editorial supporting consumer legislation p. H764
Rep. Scheuer spoke on the need for full disclosure of interest charges by retail stores. p. H756
Rep. Eckhardt praised passage of the consumer protection bill. p. H771

unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of January 30, 1968.)

Mr. JOHNSON of California (during the reading). Mr. Speaker, I ask unanimous consent that the further reading of the statement of the managers on the part of the House be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

The SPEAKER. The gentleman from California [Mr. JOHNSON] is recognized for 1 hour.

Mr. HALL. Mr. Speaker, will the gentleman yield?

Mr. JOHNSON of California. I yield to the gentleman from Missouri.

Mr. HALL. I thank the gentleman for yielding.

Mr. Speaker, I would like to say that I have read the report, and the statement of the managers on the part of the House, but at no place therein do I find whether the expense to the Government and to the U.S. taxpayer, is greater than when this bill left the House, or whether it is the same, or less than when it left the House, or the intent of the Senate amendment or refusal to accept the House position is concerned. I wonder if the distinguished gentleman would give us a short statement covering these points before the final action or decision as to whether or not this would be accepted by a rollcall vote or not?

Mr. JOHNSON of California. I would say in reply to the gentleman from Missouri that the bill when it left the House had section 2 in it that called for a reconnaissance study on the part of the Bureau of Reclamation under the Department of the Interior. But when we met in conference the conferees agreed unanimously that this should not be in the bill; it merely should be in the report, whereby they would ask the Bureau of Reclamation to make the study under general investigative authority, and their funding, coming from their general fund. This will cost no more than when the bill left the House.

Mr. HALL. Mr. Speaker, if the gentleman will yield further, do I infer from that statement that there is no increase in the expenditure as a result of the conference?

Mr. JOHNSON of California. That is true.

Mr. HALL. And there were no Senate added-on nongermane amendments to this House passed piece of legislation?

Mr. JOHNSON of California. No, there were not.

Mr. HALL. I thank the gentleman.

Mr. JOHNSON of California. Mr. Speaker, I yield to the gentleman from Pennsylvania [Mr. SAYLOR].

Mr. SAYLOR. Mr. Speaker, I support this conference report.

I want to say to our colleague, the gentleman from Missouri, that this will cost less than when it left the House because the House had added one project with which the other body did not concur.

Now for the benefit of the Members of the House and to refresh their recollections, some years ago the Bureau of Reclamation had blanket authority to make feasibility studies of any project that they wanted. The Committee on Interior and Insular Affairs recommended to the House, and the corresponding committee in the other body took the same action, limiting the authority of the Bureau of Reclamation and require that before they undertake feasibility studies, they would be required to come before the respective committees of the House and of the other body to get their approval.

The Bureau of Reclamation appeared before the committee of the other body and asked for authorization on five projects. This was granted.

When they appeared before the House, they asked five projects, and the House added two others, for study.

The conference agreed that they would accept the original five and one which the House added.

The project which was turned down in the conference as a feasibility study called for a study to consider the transfer of water from the Pacific Northwest into certain other areas of the country.

I would certainly hope that some day in the very near future the Bureau of Reclamation would be authorized to undertake that study.

Mr. JOHNSON of California. Mr. Speaker, I yield such time as he may consume to the gentleman from California [Mr. REINECKE].

Mr. REINECKE. Mr. Speaker, I would like to point out a few more things regarding these particular studies.

The study here is actually a reconnaissance rather than a feasibility study.

The problem that the other body had on this is simply that a reconnaissance study does not require congressional authorization whereas feasibility reports are required to have congressional authorization.

So what we were doing on this was something that they have the authority to do without legislation.

The Senate decided this might establish a precedent, so that sometime in the future certain agencies might use it as a shield to avoid reconnaissance studies.

The reason I offered this amendment in the first place is simply because we are not able to get adequate recognition from the Bureau of Reclamation on this particular project. We added this as a sense of Congress and that sense I think has been adequately expressed.

Now there is a date in the report that the Senate has accepted rather than to write this study in as an amendment, so that the Bureau must report by December 31, 1970.

This covers a project which if proven satisfactory, could be a very important factor in solving the water problems of the Southwest as well as a possible means of cleaning up polluted rivers all over the country.

While I did not like to give up on the language in the House bill, nonetheless the intent has been accomplished and that the chairman of the Senate Interior Committee has promised that he will personally urge the Secretary of Interior to carry on this reconnaissance report.

Mr. JOHNSON of California. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to.

A motion to reconsider was laid on the table.

(Mr. FEIGHAN asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and include extraneous matter.)

[Mr. FEIGHAN addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

CONSUMER CREDIT PROTECTION ACT

Mr. PATMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 11601) to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from Texas.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 11601, with Mr. PRICE of Illinois in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday there was pending the amendment offered by the gentleman from Mississippi [Mr. MONTGOMERY]. Without objection, the Clerk will again report the amendment of the gentleman from Mississippi.

There was no objection.

The Clerk read as follows:

Amendment offered by Mr. MONTGOMERY: On page 40, beginning at line 6 strike out all of section 201.

Mrs. SULLIVAN. Mr. Chairman, I rise in opposition to the amendment.

The CHAIRMAN. The gentlewoman from Missouri is recognized for 5 minutes.

(Mrs. SULLIVAN asked and was given permission to revise and extend her remarks.)

Mrs. SULLIVAN. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Mississippi. This title is not an appendage to the bill placed in it for the purpose of mischief but is an integral part of the Consumer Credit Protection Act.

Someone raised the question on Tuesday as to how a matter like this got into "an interest rate bill." Well, this is not an "interest rate bill," nor is it solely a truth-in-lending bill. I know it is popularly called that, but this is the Consumer Credit Protection Act, and we have many things in the bill which relate to the use of credit by consumers other than the interest charged for credit.

This is one of those important provisions. A Member said on Tuesday that all he had been able to learn about the reasons for inclusion of this title in the bill is that personal bankruptcies were rising. Well, this is most discouraging, believe me, to a subcommittee chairman who held weeks and weeks of hearings and published two thick volumes of hearings and documentation, and to all of us on the committee who spent so much time on this title in committee and in our discussions in the committee report.

I realize it is hard for Members to read 1,221 pages of printed hearings on the bill and 139 pages of the committee report before a bill comes up. But most of the Members have received letters and telegrams from constituents for or against this title from collection agencies and from doctors opposing it and from labor and management favoring it, and I know their offices checked with us to see just what the bill does. I might say I am surprised—I am truly surprised—to find so many doctors clamoring for the unlimited right to garnishee their patients' wages, thus causing family hardship and, in many instances, causing the patient's dismissal from employment.

Surely this is not the way doctors collect many of their bills, but it is the way collection agencies often do, and it would be interesting to know the commission a bill collector charges a doctor for garnisheeing a worker's pay and causing his dismissal. How much of the money thus collected goes to the bill collector and how much goes to the doctor?

But I am getting away from the major issue here. I mentioned the doctors only because most of the mail to Members in opposition to this title came from doctors and bill collectors.

Garnishment is the successor to debtor's prison. Perhaps the opponents of this title of the bill would like to go back to the practice of putting debtors in jail. It is about as effective a way to render a man jobless as to force his dismissal for garnishment.

We have hundreds of pages of testimony on the cruelties of the garnishment system in many States as a means

not of satisfying just debts but of selling shoddy or defective goods at high prices to poor people who cannot afford them and who could not pay for them and then using the device of garnishment to force the courts and the employers to do the bill collecting.

How does the Federal Government get into it? Well, for one thing, we are paying heavily in Federal taxes for the operations of the bankruptcy courts in rescuing the garnished workers from financial death. We as taxpayers are footing the bill for this cycle of garnishment, followed by bankruptcy.

But that is only part of it. Garnishment, as cited by some of our largest corporations and by labor leaders, is one of the major factors in the disruption of production and employment. It is a major factor in labor-management discords, because dismissals growing out of garnishment frequently lead to expensive arbitration. Also, it is costly as a payroll expense to business. It is mainly the weapon not of the honest merchant or lender but of the predatory credit sellers who hook a poor ignorant worker on credit terms which are as devastating to that worker as the dope habit—something he can never seem to lick.

Go into the lower courts—we have—and watch the parade of garnishments obtained by the hundreds by the same lawyers each week for the same "easy credit" houses.

If we wonder about the constitutionality or the appropriateness of Federal action in this matter, read the opinion of the American law section of the Legislative Reference Section, on page E233 of the Record of January 25. Then read our hearings, and weep—weep for the inhumanity exposed there about the sewer of the so-called easy credit racket—not legitimate business, but the bloodsuckers of commerce.

In Tennessee the worker caught in the clutches of gyp credit could have all but \$12 of his weekly pay taken away to satisfy debts that he may not even owe. I think that has just been raised a few dollars, but at the time of our hearing, we were told the figure was only \$12 a week for a single person, and \$17 a week for a family man, plus \$2.50 a week for each child under 16, which was protected from garnishment. In Mississippi I believe the amount of a worker's pay exempt from garnishment is \$12.50 for a single person, and \$25 a week for a family man. In California—the personal bankruptcy capital—our hearings show, on page 1124, that this tool is used almost exclusively by collection agencies, professional bill collectors. We can talk States' rights all we like, but these garnishments flow across State lines and follow, and sometimes hound, a man to his grave.

Are we to believe that without this type of debtors' prison most Americans will not pay honest debts? No, indeed. What we know from our study of this problem is that in a vast number of cases the debt is a fraudulent one, saddled on a poor ignorant person who is trapped in an easy credit nightmare, in which he is charged double for something he could not pay for even if the proper

price was called for, and then hounded into giving up his pound of flesh, and being fired besides.

This is what we are dealing with here. So let us shed a tear for the poor bill collector, who would have to depend upon some other method for collecting questionable or fraudulent debts, and for the cheap credit outfit which would have to begin to learn to check a person's financial ability to pay for what they want to entice him into buying.

If we want to know why this is in our bill, please, for the sake of humanity and human decency, read what our hearings show on this dirty business. It is the mainstay of the vermin element in easy credit rackets, and a vote to eliminate this title of the bill is a vote for your "friendly bill collector" and the shark-toothed businesses he services.

Mr. MONTGOMERY. Mr. Chairman, will the gentlewoman yield?

Mrs. SULLIVAN. I yield to the gentleman from Mississippi.

Mr. MONTGOMERY. I appreciate very much the gentlewoman's yielding.

Possibly I misunderstood the figures but I believe they are a little misleading and might not be correct for Mississippi. I take from the hearings that 75 percent of the resident's earnings due or becoming due are exempt, for Mississippi. In fact this means they are a little better off, for the poor man, than in Missouri. Missouri is listed right under Mississippi.

Mrs. SULLIVAN. Believe me, I do not intend to defend for the State of Missouri on this.

Mr. WIDNALL. Mr. Chairman, I move to strike the requisite number of words.

I should like to put in the Record that we did have extensive hearings on garnishment and heard some very enlightening witnesses before the committee. The committee disposition with respect to garnishment was arrived at after having the benefit of some very fine testimony.

I would not want any Member of the Congress to think that this matter was treated lightly.

Mr. REUSS. Mr. Chairman, I rise in opposition to the amendment and move to strike the requisite number of words.

I want enthusiastically to endorse the position just taken by the distinguished gentlewoman from Missouri and by the gentleman from New Jersey [Mr. WIDNALL] in support of the committee amendment position, which owes so much to the helpfulness of the gentleman from New York [Mr. HALPERN].

In a nutshell, what the Halpern proposal—which has wide bipartisan support—does is to say that this ancient and cruel garnishment doctrine, about which Charles Dickens wrote in his novels about the debtor's prisons, should have some checks placed upon it.

The idea of wage garnishment in advance of judgment, of trustee process, of wage attachment, or whatever it is called is a most inhuman doctrine. It compels the wage earner, trying to keep his family together, to be driven below the poverty level.

In one State, which shall be nameless, wages can be garnished down to a \$50 a month pittance. In another State it is \$20 a week. In other States it is 50 or 75

percent of the little amount which the wage earner is able to earn.

Not only is it inhuman to ask people who are trying to earn a living and to keep their families together to be subjected to these garnishments, but also the garnishment process is perhaps the worst thing we have for inciting and making possible spurious and ill-advised credit. A merchant who knows he can garnish is very likely to induce a wage earner to overextend himself. The rash of personal bankruptcies which are an unhappy blight upon our country's credit history, which are occurring today, is in large part due to the abuse of garnishment.

States rights have nothing to do with it. We encourage States which want to abolish garnishment, such as Texas and Pennsylvania, to their credit, have done, to continue. We encourage other States to join the ranks.

Certainly, as with minimum wage and with general truth-in-lending propositions, there should be the kind of moderate and sensible control over garnishment which is inherent in the Halpern amendment.

I hope the proposal to knock this out will be knocked down by a resounding "no" vote.

Mr. HALPERN. Mr. Chairman, I rise in opposition to the amendment and move to strike the requisite number of words.

Mr. Chairman, during the lengthy hearings on this bill, incontrovertible evidence mounted to demonstrate that the practice of wage garnishment is directly responsible for some highly undesirable, and growing economic and social ills, including the alarming increase in levels of personal bankruptcies.

Because State garnishment laws vary so greatly in the protection they offer to the debtor, and because, as I shall explain, the consequences of garnishment can be so drastic, I feel that a Federal law in this area is vitally needed.

The consequences of garnishment for the debtor are threefold, and one or more of these consequences has, with increasing frequency, led to bankruptcy. First, depending on widely divergent State laws, the debtor may find his wages completely cut off, or may be left with as little as \$50 a month to support himself and his family. Further evidence is hardly needed to show that this is not even subsistence income for an individual, let alone an entire family.

Second, the debtor often may find himself unemployed; employers are often unwilling to accept the additional expense of administering garnishments. And, for the same reason that he lost his job initially, the debtor often finds it difficult to secure another position; employers are not anxious to take on the extra bookkeeping expenses, and furthermore are suspicious of individuals who have fallen into such an undesirable credit position.

Third, either because of his precarious financial position or fearing the mere threat of garnishment and the possible danger to his employment, the debtor is likely prey to the whole host of less scrupulous creditors of the "loan shark"

class, who may initially promise an escape from his predicament and who, all too often, are only the precursors of total financial disaster.

Mr. Chairman, with garnishment merely the first step, all of these roads lead increasingly to the ultimate catastrophe of personal bankruptcy. The increase in consumer credit of about 70 percent from 1960 to 1966 has been outpaced by a rise in personal bankruptcies of over 80 percent. And the evidence indicates that garnishment has played a major role in the latter trend.

H.R. 11601 as originally introduced would have prohibited garnishment completely. Recognizing, however, that protection of the debtor must not be accomplished by totally destroying the rights of the creditor, I introduced an amendment to restrict, rather than totally prohibit, wage garnishment. The amendment would restrict garnishment to 10 percent of income over \$30 per week, and would prohibit an employer from firing an employee by reason of a single garnishment of the employee's wages. These provisions would not affect those States with stricter garnishment laws; only in these States with weaker garnishment regulations would the Federal law supercede that of the State. The restrictions, however, would not apply to claims for Federal and State taxes or to court-ordered family support payments.

The rights of the creditor to collect his claims in a reasonable manner have, under this amendment, been protected. The lender may even find himself benefiting from such a law, for he cannot collect anything if the debtor is driven into bankruptcy. The amendment should, also, encourage the creditor to exercise greater caution in his lending practices, to check the credit worthiness of potential borrowers, with the realization that he cannot compensate for the debtor's default by claiming as much of the debtor's income as he pleases.

The fear that, because creditors are partially deprived of their "insurance" against defaults, credit might become less available is in no way borne out by the evidence from those States which either totally prohibit, or severely restrict, the practice of garnishment.

Mr. Chairman, I submit that the economic hardship suffered by individuals, and the instability engendered in the aggregate economy, constitute eloquent testimony to the need for Federal legislation to curb the practice of garnishment. I therefore, strongly urge the acceptance of the committee amendment. It would be a travesty if this provision were not included in this bill. Therefore, I urge that the gentleman's amendment be rejected and the committee position be maintained.

Mr. GONZALEZ. Mr. Chairman, I move to strike the requisite number of words.

(Mr. GONZALEZ asked and was given permission to revise and extend his remarks.)

Mr. GONZALEZ. Mr. Chairman, I rise in support of title II of Consumer Credit Protection Act, which would greatly restrict the garnishment of wages to satisfy debts. It is the purpose of this title

to eliminate the root cause of the alarming increase in personal bankruptcy, to which many honest debtors are driven in order to keep their jobs and continue to support their families. Garnishment of wages is consumer peonage.

My position has been for total and outright banishment of wage garnishment. My native State of Texas prohibits all garnishment. This works well. It protects the wage earner; it does not harm the consumer credit industry.

Despite my consistent and active support of total garnishment as originally contained in H.R. 11601, the committee amended the bill to restrict from garnishment 90 percent of a worker's wage, although totally prohibiting garnishment of the first \$30 per week. However, compromise is at times the better part of wisdom, and I accepted the committee amendments to title II as a reasonable compromise, as have the minority members of the committee.

Title II as amended prohibits the garnishment of a worker's wages to extend to court-determined debts for support, nor to debts for any State or Federal tax. Title II would also prohibit the discharge of an employee because his wages had, on one occasion, been subject to garnishment.

Garnishment laws have been with us for decades. Garnishment was prohibited by the Texas constitution adopted in 1876. Pennsylvania outlawed garnishment in 1945, Florida in 1875, and the District of Columbia in 1902. More recently, North Carolina, New York, and South Carolina have restricted garnishment. Other States, including Michigan, Connecticut, and Hawaii, have at least established prohibitions against firing an employee because his wages had been garnished. Many States, however, inadequately, have established minimums or percentages of a worker's wage which are exempt from garnishment.

And it is illegal to garnish the wages of Federal employees.

The garnishment provisions of H.R. 11601 are not extreme. They substitute minimum standards for a confusing array of State laws, which will be a boon both to out mobile population and companies with credit dealings in more than one State.

On the one hand, title II prohibits more than 10 percent of a worker's weekly wage above \$30 from being garnished. The experience of Texas, Florida, and Pennsylvania with absolute restriction of garnishment—a total of 205 years—has not proven to be a hardship on any segment. A study I requested recently from the Library of Congress concluded in this respect that—

Economic data show that the ratio of installment credit to retail trade is as high in States that do not permit garnishment as in States that do.

We learned in committee hearings of the judgment of a Fort Worth credit bureau manager that there is no more problem collecting debts in Texas, than in other States. Actually, bankruptcy cases are dramatically lower in the States which prohibit garnishment.

On the other hand, the title II prohibition from garnishment of the first \$30 of a worker's weekly wage is also a minimum standard. States such as Illinois with a \$45 weekly floor would retain their more comprehensive laws.

It is high time that our attitude toward wage garnishment caught up with our attitude toward debt. Our history books tell us that in the early 1800's tens of thousands of our citizens along the Atlantic seaboard were imprisoned for debt, sometimes for amounts less than a dollar. But now installment buying is a way of life, and all types of stores beg their customers to set up revolving credit accounts. Far from being a sin, personal debt is now encouraged and widely advertised for. Today, the attacking of a man's source of subsistence, sometimes without warning, is just as harsh and inhuman a treatment as the imprisonment of debtors was in the past.

Also, it does not seem to me that employers should have to function as collection agencies for creditors. Three major steel corporations—Inland, United States, and Republic—have testified that garnishment deductions from the wages of their employees is a heavy, unwanted administrative expense. In committee we also heard testimony that the processing of each individual garnishment can cost the employer between \$15 and \$35. Such deductions could easily intrude upon the attentions of an employer's accounting, payroll, personnel, and legal departments.

Further, if garnishment requires a court judgment, this process is costly to the community; and if garnishment triggers consumer bankruptcy, as it frequently does, this results in a loss to the creditor.

The experience of States without garnishment demonstrate that it is unnecessary as an instrument to force the payment of debts. Innovations in credit management and credit security have kept pace with the demands of a growing credit economy. There are a vast assortment of remedies for recovering debts other than wage garnishment: Such as prelitigation collection procedures; skip tracing; repossession of articles sold; attachment and execution levies against cars, bank accounts, and homes; liens of various kinds; and judicial examination of judgment debtors.

The garnishment of wages is a particular favorite of unscrupulous creditors who cater to low-income persons with credit problems. "If we take away the garnishee we take away the most important lever of the deceptive seller" is the judgment of Mr. Sidney Margolis, the noted consumer-affairs journalist. Where a reputable credit bureau would counsel against the extension of credit, the unscrupulous creditor will make the loan under any terms he can get, knowing that garnishment will provide him with his money before the debtor ever has the chance to provide for his families' necessities. What we have all too often in garnishment areas is credit deliberately given to people who will not—who cannot—afford to keep up regular repayments.

I repeat, garnishment of wages is consumer peonage. There have been cases of workers committing suicide to escape the tentacles of total garnishment, like putting a man in prison for going into debt, garnishment restricts a debtor's ability to pay. For a poor man—and who ever heard of the wage of the affluent being attached?—to lose part of his salary often means his family will go without the essentials. No man sits by while his family goes hungry or without heat. He either files for consumer bankruptcy and tries to begin again, or just quits his job and goes on relief. Where in the equity, the commonsense, in such a process?

A Federal referee in bankruptcy from California who testified in our hearings said:

As a referee I do not like to see creditors sustain losses but I must conclude that in most cases the creditor has in many respects created the very problem from which his loss arose. Each of us are paying for these losses when we pay our monthly bills. The creditor merely adds to the normal price a sum sufficient to write off these losses.

A Federal referee in bankruptcy from Tennessee made the same point and went on to say:

If consumers are not loaded down beyond their capacity to repay, they will have funds available to pay their legitimate debts. I firmly believe that the vast majority of bankrupts really want to pay their debts but, because of low sales resistance and garnishment statutes, they find themselves in an impossible situation and, once wage garnishments commence, their only hope is to seek relief from the bankruptcy court.

Garnishment frequently triggers bankruptcy, somewhere between 80 and 60 percent of the time. This is the conclusion of all five of the Federal referees in bankruptcy who testified before Banking and Currency. Consumer bankruptcies reached 208,000 in fiscal 1967, leading to the cancellation of about \$1.5 billion in personal debt. These figures represent not only personal tragedy for 208,000 persons, but the \$1.5 billion is a significant loss to the credit industry which ultimately falls on all borrowers.

Virginia, with less population than Florida, has eight times as many bankruptcies. Virginia permits garnishment; Florida does not.

Ohio with about the same population as Texas, has nearly 50 times more bankruptcies. Ohio permits garnishment; Texas does not.

Tennessee, with population and other similarities to North Carolina, has over 25 times more bankruptcies, Tennessee until last year permitted almost total garnishment; North Carolina does not.

California with a slightly larger population than New York, has five times more bankruptcies. California permits garnishment of up to 50 percent of a workers' wage; New York has a law similar to title II. This situation caused a Federal referee in bankruptcy from Oregon to testify:

What disturbs me most is that garnishment affords these young people with some justification for wiping out their debts in bankruptcy. I say young people because the average age of bankruptcy is 29 years and some of them come in as early as 23 and

24 and 25 years. They usually have two or three children. Many of them come to me after court is over to say that they would have been able in time to pay the just bills if they had been given an opportunity, but repeated garnishment had prevented them from holding steady jobs. Our present laws are causing them to lose their sense of obligation."

From personal observation and experience, I can assure my colleagues that the prohibition of garnishment in my native Texas has not slowed the growth of the consumer credit industry, cut down on the ratio of installment buying nor hampered the collection of debts.

The prohibition of garnishment of current wages has by no means put loan companies out of business in Texas—

Agreed the Federal referee in bankruptcy from Dallas.

From what I have learned from other States, particularly Pennsylvania, the credit losses on consumer loans are not any greater in States prohibiting the garnishment of wages—

Agreed the referee from Oregon.

The need to restrict garnishment is simply that the wage earner must have the protection and use of his salary. The fact is that many States have not protected the wage-earning consumer. The consumer is usually underrepresented in State legislatures, while the loan companies and collection agencies maintain aggressive lobbies. I speak from my experience as a former Texas State Senator.

And the fact is that most State laws on garnishment are a hodge-podge of throwbacks encouraging consumer peonage and contributing directly to the alarming increase in consumer bankruptcies.

For these reasons, I strongly urge the passage of effective Federal restrictions on wage garnishment, as contained in title II of the Consumer Credit Protection Act.

(Mr. GONZALEZ asked and was given permission to revise and extend his remarks.)

Mr. PATMAN. Mr. Chairman, I wonder if we can agree upon a limitation of time on this amendment?

How many of the Members would like to talk on this amendment?

I see five standing now.

Mr. Chairman, I ask unanimous consent that all debate on this amendment close at 10 minutes to 2.

Mr. ABERNETHY. Mr. Chairman, reserving the right to object, I would like to point out that all of the time up to now has been taken by those who are against the amendment. I would like to have at least 4 or 5 minutes to speak on the amendment.

Mr. PATMAN. Each Member would have 5 minutes. That will be 25 minutes. Now the gentleman from Mississippi [Mr. MONTGOMERY] has gotten up, and the chairman of the subcommittee. Therefore, Mr. Chairman, I ask unanimous consent that all debate on this amendment close in 30 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from New Hampshire [Mr. WYMAN] for 4 minutes.

Mr. WYMAN. Mr. Chairman, I understood that the gentleman from Texas announced that there would be 5 minutes given each one of the Members who were standing; is that not correct?

The CHAIRMAN. Does the gentleman from Texas desire to reply to the gentleman from New Hampshire?

Mr. PATMAN. Yes. I thought that there were six Members standing at the time, but if there were more than that—were there seven Members standing?

The CHAIRMAN. There were eight Members standing.

Mr. PATMAN. Mr. Chairman, I believe they all should be entitled to 5 minutes each.

Mr. Chairman, I ask unanimous consent to revise my previous unanimous-consent request, so that each of the eight Members who were standing may have 5 minutes apiece.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from New Hampshire [Mr. WYMAN].

Mr. WYMAN. Mr. Chairman, I hope I shall not take the 5 minutes, but I do want to be able to say a few things about this bill, and the pending amendment.

I agree that garnishment can become a monster; that it is a bad boy. I deplore the concept and its abuses, and I concur with what the gentlewoman from Missouri [Mrs. SULLIVAN] has said, and what other Members have said about how it needs to be better regulated to protect our people.

I favor a restriction on the abuses of garnishment by commercial collection agencies as well as others. But the place to address this argument is not to the Congress of the United States, but to the State legislatures. It is not for us here to impose on every State in the Union the New York formula, which is what this legislation does.

Just because there is a difference in the law, and a marked difference, between perhaps what California does, and what New Hampshire does or what New York does, does not give the Congress the power to step in and say "we are going to pass a uniform law." The argument about controlling the monster is for the State legislatures, except possibly in regard to processes of the Federal courts.

Mr. Chairman, fundamentally this title is just a naked preemption of the State law without Federal authority. If this bill were to provide that only garnishment arising from claims arising in or out of interstate and foreign commerce are to be so limited there would be some basis for exercising the jurisdictional prohibition upon the State courts. But to do as this bill does, which is to deny to all of the State courts the power to exercise any process to help a creditor collect from a debtor in that State when the legislature of that State has considered the subject time and time again, and said that the State court is to have this power is to supersede State laws

without any foundation of authority whatsoever. The memorandum from the Library of Congress in this regard overstates the case, and is not a valid exposition of constitutional law, when subjected to careful analysis.

Let me give just one example and then I will end these remarks.

Suppose a State legislature wants to let hospitals use the garnishment process. Omit the doctors or the dentists or the nurses—just leave it to the hospitals to have that power in that State. Is that not properly for the State legislature? Of course it is.

The bill we are considering here denies any State legislature any garnishment power except the New York formula of 10 percent above \$30-a-week.

I say this is something that we should not impose on any other State. I say this is not because I support garnishment but because it is unconstitutional.

I urge the adoption of whatever formula or combination of formulas or amendments here that will make it clear that while we are in agreement that garnishment is bad and we desire to do something to regulate it but that we are limited in how far we can go by law. We cannot, in my opinion, impose a uniform law on the States in the manner proposed here today.

The CHAIRMAN. The Chair recognizes the gentleman from Missouri [Mr. JONES].

Mr. JONES of Missouri. Mr. Chairman, I did not intend to speak on this matter at all. I had been going along on this bill because I thought that we were trying to enact legislation to give specific and helpful information to the people who are availing themselves of credit.

It came as a kind of a surprise to me to find out that the committee evidently wants to amend the laws and take away States rights and give an advantage to a deadbeat who does not want to pay his bills, and to take away the recourse that an honest merchant has to collect a legal account.

I have never heard such a conglomeration of naive statements by intelligent people as I have heard about this garnishment law.

How is anyone going to collect from a deadbeat if you are taking away the tool to collect—the only thing that he has. It just does not make any sense to me.

I have been trying to go along. But the gentlewoman from St. Louis spoke a minute ago about the imposition on these people and she even went so far as to say something about garnishment being a means of collecting an unjust debt. Of course, you cannot collect anything except a just debt. The courts decide when a debt is just. That is a part of it. That judgment has to be made before they can enforce garnishment procedures.

I am not a lawyer but I think we are doing enough to help these people protecting them from usury and hidden credit charges—instead of going further and taking away from the creditor the opportunity to avail himself of the laws of his State to collect money that is due him.

These are not all bad people who use this procedure of garnishment. They are

not all crooks. There might be some crooks—I do not doubt that—the small loan companies and things like that. But we are trying to give you a bill that they can work under and control those people. Now you want to take away the only recourse that the legitimate merchant has when he sells goods and the fellow does not want to pay for them.

You say, "No; we cannot go ahead and garnishee him."

Someone mentioned particularly the Federal employees, that we have more deadbeats in the Federal Government or people who know that they cannot be bothered with this thing. I thought that we had taken care of that sometime ago—but evidently we did not.

I have been in favor of the stated purposes of this legislation, but when you seem determined to take away States rights, I am going to give second thought to the bill.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. LATTA].

Mr. LATTA. Mr. Chairman, when this matter was before the Committee on Rules, I raised the question as to whether garnishment was a proper subject in this bill.

I still have a question in my mind as to whether this is rightfully a part of this bill as it deals with loan sharks and high interest rates and notifying the debtor before he goes into debt as to how much interest he is going to pay, and so forth.

I think this is proper. I am for these truth-in-lending sections and support them. I supported the amendments that have been proposed here tightening up these provisions in the bill.

But when it comes to dabbling into States rights—and I am one of those who believe that there are such things as States rights, and trying to impose upon the 49 other States the law of one single State; namely, New York, then I say it is time to stop, look, and listen.

If we are going to start a precedent of having New York State's laws incorporated into our Federal statutes and have these laws take precedent over the laws of the other 49 States, then we ought to know about it here and now.

I, for one, resent having another State telling the State of Ohio what their garnishment laws ought to be by incorporating its laws into our Federal statutes.

We have had garnishment laws in the State of Ohio for many, many years. They have been through the courts and have been upheld many, many times. I have not seen many abuses because I agree with the statement made by the gentleman from Missouri that perhaps we are trying too hard to protect individuals from paying their just debts.

I happen to be of the old school which believes you should pay your just debts. Therefore, I do not believe we should take away a means of collection from a creditor after he has extended his credit to one who wishes it. I do not think the Congress of the United States should go on record here as being for the person who does not want to pay his just debts and against the person who puts up the credit. We have a lot of small business people extending credit. We are not al-

ways talking about Sears, Roebuck or the large department stores. We are talking about little individual store owners out in Ottawa, Ohio, or Holgate, Ohio. Sometimes these small businessmen must go into county or municipal courts to collect what is owing them. These small businessmen work long hours for the money to buy merchandise and they deserve to be paid when they extend credit. Now we should not come along with Federal legislation and say that you cannot collect through garnishment proceedings unless you comply with a Federal statute.

I do hope that this House will stop and look at this particular title. I think the title should come out. Take it all out, not only the first section as proposed by this amendment, for it will not do the job, but the entire title. We must have a further amendment to take out the balance of this title under the present parliamentary situation. I hope that this House takes this action so we will have a good truth-in-lending bill and one which will not superimpose the will of New York State on our other 49 States through Federal legislation.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. LATTA. I am pleased to yield to the gentleman from Iowa.

Mr. GROSS. I do not know of any reason why we should take the city of New York or New York State as a model for much of anything. The city of New York has the highest per capita debt of any municipality in the United States, some \$4 billion-plus. I would prefer not take New York City as a model for anything.

Mr. ABERNETHY. Mr. Chairman, I do not know how many merchants there are in the United States. I imagine there are several hundred thousand, perhaps a million or so.

I have not yet lost faith in these American businessmen. Nor have I yet come to the conclusion that every American businessman is a crook or a potential crook as some here in their support of title II seem to conclude.

It hurts me when it is suggested that the average storeowner or department store operator is a cheat, or that he would force the sale of merchandise upon a man simply for the privilege of gouging the salaried man. I would like to believe, and I do believe, that merchants make sales to customers, including wage earners, because they feel they are making a good and fair transaction, one that is good for the customer as well as the merchant.

It is a universal rule that one cannot buy merchandise unless he can show a capacity to pay. There may be a few rotten merchants, or shylocks or cheats, among our multiplied thousands of American merchants; but why should we destroy all of them and a legitimate method of protecting creditors simply because there are a few in the merchandising field who want to cheat or be oppressive.

Since the courts of the English-speaking people were established, suits may be brought for many purposes—for actions in tort, for damages, for trespass, for debt and so on. When the claim is reduced to a judgment, there are only two methods by which the judgment creditor

can recover and collect. One is by a levy upon the debtor's property; the other is by garnishment. If a levy upon his property is legitimate, why would not a levy upon his income be legitimate?

One is just as legitimate as the other.

I would like to comment on what the gentleman from Missouri [Mr. JONES] and the gentleman from Ohio [Mr. LATTA] had to say. They were so right and so sound. There are some States that probably do not like garnishment. There are others that do. Let the States make that decision. The time may even come when some States will want to eliminate the right to levy on a man's property to recover on a judgment. Let them make that decision. Why should we establish here the one rule by which every State and every court in this country and every creditor in this country should be guided?

Bear in mind, when we eliminate the lawful right to garnish wages to recover on legitimate judgment debts, we are going to have a good many merchants who will say, "They have reduced my opportunity to collect on the fellow who may default, so I am just not going to let him have the merchandise." Otherwise the merchant might have done business with the would-be buyer. This garnishment provision will undoubtedly do those you are trying to protect more harm than good. If he sorely needs certain merchandise you, by this provision, will reduce his opportunity to secure credit.

I just hope we will not go far afield from the real objectives of this bill in taking care of consumer credit problems and move into the foreign field of garnishment. Certainly this ought to be left to the judgment of the respective legislatures of the States of this Nation. If Texas does not want garnishment, as they apparently do not, that is all right with me. If Ohio wants it, why not let them have it? Why should we be the judge? Why is it that we substitute our judgment for that of our great State legislatures, all of them are closer to the people and to this strictly local question than are we here in Washington.

These members who so harshly spoke of garnishment told us how cruel it was, how ancient, how old, how mean, and how rigid and unfair was such a proceeding. Yet they recognize the legitimacy, rightness, and fairness of it by bringing in their own version of garnishment.

Although they condemn garnishment, they do not outlaw it. They bring in their own version of such. They are attempting to substitute their version for that of the State legislatures. Everyone over the Nation must all subscribe to what they say. They are assuming a holier than thou attitude. They superimpose their views and their versions on every State, every legislature, every creditor, and every debtor in this Union on an entirely and completely local matter.

Mr. ASHBROOK. Mr. Chairman, will the gentleman yield?

Mr. ABERNETHY. I yield to the gentleman from Ohio.

Mr. ASHBROOK. Mr. Chairman, does the gentleman not also find it quite interesting that the U.S. Government has

the very strange garnishment proceeding, actually one which most people should be offended by. I am speaking of the Internal Revenue Service, which can move in and take your property and income without much notice.

Mr. ABERNETHY. They can move in and take it with much less notice than these business people. Indeed, the Federal authority is more cruel and more vicious than any comparable State authority.

Most business people are not bad. Let us not get ourselves off on the idea that these people are all crooks or that they are imposing on poor people.

In behalf of both the creditor and debtor, the merchant and the buyer, and in support of the right of the States to make a decision on what is purely a local and State matter, this amendment should be adopted.

The CHAIRMAN. The Chair recognizes the gentleman from Louisiana [Mr. WAGGONER].

Mr. WAGGONER. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Mississippi [Mr. MONTGOMERY].

Perhaps I made a mistake when I left home before daybreak this morning, on my way to the Presidential breakfast, when I left my overshoes at home, because I think I need them in this Chamber to protect my feet today from the tears that have this carpet soggy from crying over the mistreatment of these poor people who have been unable to pay their bills.

The principle of garnishment legislation in every State is exactly the same as it is in criminal laws—it is intended to deter the man who overspends and does not make any effort to handle his personal business in a way that will let them meet his obligations when the time comes to pay his just and honest debts, just exactly as padlocks put on a businessman's door warn a man he will be in violation of criminal law if he breaks that lock and enters when he should not.

Let me explain the reason why we have trouble in the United States today. The number one issue is violence, crime in the streets, civil disobedience. Why? Because people in every level of government, especially at the Federal level, have not yet realized we have an obligation not only to protect the innocent but to prosecute the lawless. When we prosecute the lawless, we are going to get rid of this problem of lawlessness and crime and violence in the streets.

We here ought to give the same protection to the little businessman that the gentleman from Mississippi [Mr. ABERNETHY] was just talking about, that we give to the innocent. We ought to protect him from that occasional deadbeat. These little independent businessmen are not all bad.

This proposal, this title, should not be a part of this legislation today for the obvious reason that there is already a federally authorized study of garnishment legislation, and there is going to be a Federal recommendation.

This Congress approved that study, and it is underway now.

This proposal additionally should not be a part of this legislation today, be-

cause members of the committee say, "We are going to drop it in conference. We want it for bargaining power with the Senate." When Members stand up and make that sort of admission they should remember that the Members of the Senate read this debate, also. They know what is going on over here, and they are not going to be hoodwinked or browbeaten in conference when we make statements such as that openly.

The State of Louisiana exempts 80 percent of any individual's income from garnishment. That is pretty generous, in my opinion. I have done law enforcement work. I have served garnishment papers. I know something about it.

When one serves a garnishment paper on an individual in someone's employ, and that man who employs the employee being served does not respond, he becomes, under the Louisiana law, liable for that entire debt.

What about the Federal Government? This is where we should be concerned. This is the subject the gentleman from Ohio [Mr. ASHBROOK] broached a minute ago in the question of the gentleman from Mississippi.

The Federal Government can garnish every penny of a man's wages, every penny of his bank accounts, to satisfy what? Income tax. If a person has an obligation to pay income tax, he has an obligation to pay his other debts which are just. Why? Because most of these people had no part in levying the income taxes, but they had an awful lot to say about whether or not they were going into a retail establishment to buy the merchandise of a little independent businessman.

What protection are we going to give this little independent businessman? Is he not entitled to the same consideration the purchaser is? Should he not have lawful recourse to the courts of this land?

Do Members stand here today to indict every Federal and every district court in this country, which would allow garnishment to collect income taxes or to collect a just debt?

I do not. I do not believe these people are all bad. If any Member does, let him go back home to tell the State legislature and to tell the judges, "You do not know what you are doing. You are entering into a conspiracy with a bunch of loan sharks and credit collectors. We do not trust you. You cannot do it any more."

Let this Congress tend to its own knitting at the Federal level. Let the States run their own laws. Let them have garnishment legislation if they want it. If they do not want it, they do not have to have it. Some do not. My State does. I want them to have the right to continue it if they want it.

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. WAGGONNER. I am glad to yield to the gentleman from Wisconsin.

Mr. REUSS. I thank the gentleman. The gentleman is making a moving case in behalf of the rights of a creditor. I will agree that a creditor's rights deserve recognition.

The CHAIRMAN. The time of the gentleman from Louisiana has expired.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that I be permitted to yield 1 minute of my time to the gentleman from Louisiana.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. REUSS. Is the gentleman aware of the fact that there is a class of debtors making \$30,000 a year whose wages are entirely exempt from garnishment, Federal, State, and local?

Mr. WAGGONNER. Surely.

Mr. REUSS. And that that class is the Members of the Congress of the United States?

Mr. WAGGONNER. That is exactly right.

Mr. REUSS. Would the gentleman join in a campaign to make the rights of creditors more real by extending the right of garnishment to the salaries of Members?

Mr. WAGGONNER. I will be glad to, if the gentleman will join me. I will introduce that legislation, if the gentleman will drop this from this proposal.

Mr. REUSS. I thank the gentleman.

The CHAIRMAN. The Chair recognizes the gentlewoman from Missouri [Mrs. SULLIVAN].

Mrs. SULLIVAN. Mr. Chairman, I yield back my time.

The CHAIRMAN. The Chair recognizes the gentleman from Mississippi [Mr. MONTGOMERY].

(Mr. MONTGOMERY asked and was given permission to revise and extend his remarks.)

Mr. MONTGOMERY. Mr. Chairman, I certainly will not take all of my time, but I should briefly like to explain what the amendment does, again.

My amendment would strike out section 201 of title II of this bill. If my amendment is adopted I believe the distinguished chairman and I have agreed that possibly I could offer an amendment to strike all of title II. So, actually, if we can adopt this amendment certainly I would follow with an amendment taking all of title II out, which would take out the garnishment section of the bill.

Mr. WHITENER. Mr. Chairman, will the gentleman yield?

Mr. MONTGOMERY. I yield to the gentleman from North Carolina.

Mr. WHITENER. I appreciate the gentleman's yielding.

I am astounded that the proponents of this legislation would suggest that the Congress should write local law in the field of garnishment.

It happens in my State that we do not have a garnishment law, but it is a matter for our State legislature. I would point out these folks who are so concerned about the debtor are probably not taking into account the fact that the debt-paying debtor might well wind up being punished by this provision, because any businessman who stays in business takes into account in his price-fixing procedures the cost of doing business. If as a result of this legislation the deadbeats are protected, then the debt payers will be paying higher prices for merchandise.

I note also that the committee in its amendment to the original bill was very careful to leave the tax gatherers, both Federal and State, untouched by this title II provision. Now, if the little corner grocery store is to be deprived of its rights under State law, why cannot the massive Federal Government be required to give the same consideration to the wage earner?

May I point out further, if the gentleman will yield further, that some of us, like the gentleman from Colorado [Mr. ROGERS], and others, have for several years worked with the wage earners provisions of chapter 13 of the Bankruptcy Act. We have not only amended that act, we have also tried by contacts throughout the Nation to encourage the use of chapter 13 proceedings to encourage wage earners to pay their debts under an arrangement procedure provided in chapter 13.

The approach by this bill we have before us negates all of the efforts we have made in this field. It creates a privileged class which of those who are not willing to pay their honest debts. It takes away the basic rights of the States to regulate in a strictly local field of legislation.

Mr. Chairman, I support the gentleman's amendment.

Mr. MONTGOMERY. Mr. Chairman, I thank the gentleman for pointing out this most important matter as to the way in which this bill was drawn up. I would like to say that if you want to let the States regulate their own garnishment laws, you will support my amendment. If you want the Federal Government to move in on the State authority, then vote against my amendment. It is just that simple.

Mr. WHITENER. Mr. Chairman, will the gentleman yield to me?

Mr. MONTGOMERY. I yield to the gentleman from North Carolina.

Mr. WHITENER. Mr. Chairman, I note in title II of this legislation—and I do not know whether it is an oversight or not—that there is nothing said about the assignment of wages procedures available in most States of the Union. The assignment of wages procedure are the ones that an unscrupulous businessman will be using. If you enact this bill into law, the only person who will be hurt, in my judgment, is the scrupulous businessman who is furnishing the food for the table and the furniture for the home of the wage earner. I see nothing here that prevents an unscrupulous merchant getting his customer to assign wages at the time he makes a purchase. That is not a garnishment procedure and would not be precluded by the bill.

Mr. MONTGOMERY. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. PATMAN] for 5 minutes to close debate on this amendment.

(Mr. PATMAN asked and was given permission to revise and extend his remarks.)

Mr. PATMAN. Mr. Chairman, this is not the New York law. Neither is it the Louisiana law. The Louisiana law is just about as near to this title of the bill as is the New York law. In other words, Mr. Chairman, to refer to it as the New

York people trying to get their law enacted into Federal legislation, I do not think it is exactly right.

Mr. Chairman, several States have similar laws to this. Some are more oppressive than others. No one wants to help an individual beat a just and honest debt. There are ways of collecting debts other than garnishment which, of course, is the most cruel method that can be used.

Mr. Chairman, we can take, for instance, situations which arise at Federal facilities. In the congressional district which it is my honor to represent, when they write to me about a merchant to the effect that they have an account overdue and an employee is employed at a certain Federal facility, I just tell them to go to the local justice of the peace, get a liquidated claim of judgment, and file that with the manager of that facility. Either he will make arrangements for it to be paid or the purchaser will be fined. There is no real problem in collecting debts from big company concerns engaged in the construction of Federal projects, if they are not liquidated.

Mr. Chairman, one can never tell whether it will be questioned, but when one gets a judgment, one can collect upon it. The rights of the individual States are protected.

Mr. MYERS. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I cannot yield at this time.

Mr. Chairman, in the title dealing with the operation of the States, section 204 at page 42 of the bill, if the members of the Committee will read it, they will find that the State rights and State laws are pretty well provided for.

So, Mr. Chairman, it is my opinion that this committee performed an excellent job in going into all of these laws of the different States and, finally, agreed upon one provision that in the opinion of the committee would be fair to all concerned.

Mr. Chairman, I feel that the report of the committee should be supported rather than the amendment which has been offered by the distinguished gentleman from Mississippi [Mr. MONTGOMERY], an amendment which has not been considered by the committee directly. However, the amendments of the committee have been considered very carefully—considered and weighed and evaluated, by all of the members of the committee, after careful study.

Mr. Chairman, it is my opinion that the members of the Committee of the Whole House on the State of the Union should vote with the committee on this issue which in my opinion would represent a vote in the interest of the public.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I am glad to yield to the distinguished gentlewoman from Missouri.

(Mrs. SULLIVAN asked and was given permission to revise and extend her remarks.)

Mrs. SULLIVAN. Mr. Chairman, I just want to read a few excerpts from two letters which I have received, one from the Republic Steel Corp. and one from

the United States Steel Corp., directed to the attitude of major industries on this issue. The letter from the Republic Steel Corp. is signed by the vice president for corporate relations and public affairs, Mr. H. C. Lumb, in which he states, in part, as follows:

We believe there are many reasons from the point of view of both employers and employees which favor a prohibition of garnishment laws.

From a company standpoint, the garnishment of an employee's wages imposes a substantial administrative burden.

And he goes on:

In several instances where legal questions have been involved, the expense to Republic of a garnishment proceeding has been almost as great as the amount being garnished. In one pending lawsuit, Republic and another company are being sued for \$10,000 damages for allegedly causing the wrongful garnishment of an employee's wages in the sum of \$57.78.

The cost to Republic in terms of damage to employee relations is perhaps even more substantial. While it is difficult to measure, we believe that the garnishment of an employee's wages often impairs the employee's performance on the job. In a few instances repeated difficulties with respect to garnishments have made it necessary to discharge the employee.

The disadvantages of garnishment laws to the employee are also numerous. Aside from paying interest on his debt, the employee is usually required to pay filing fees and other costs relating to the garnishment proceeding which are added to the amount being garnished. Moreover, a garnishment proceeding is often the forerunner of continuing financial difficulties experienced by the employee and is frequently followed by personal bankruptcy proceedings.

I have a similar letter from Mr. William G. Whyte, vice president of United States Steel.

Mr. Chairman, I include at this point in the RECORD the full text of the two letters to which I have referred:

REPUBLIC STEEL CORP.,

Cleveland, Ohio, November 22, 1967.

HON. LEONOR K. SULLIVAN,
Chairman, Subcommittee on Consumer Affairs,
House of Representatives, Washington, D.C.

DEAR MRS. SULLIVAN: I am writing on behalf of Republic Steel Corporation to support Title II of the truth-in-lending bill (H.R. 11601) which would prohibit the garnishment of wages.

We believe there are many reasons from the point of view of both employers and employees which favor a prohibition of garnishment laws.

From a company standpoint, the garnishment of an employee's wages imposes a substantial administrative burden. The handling of garnishment orders adds to the cost of doing business with no benefit whatsoever to the employer. Moreover, if a notice of garnishment is not attended to promptly (even though the propriety of the garnishment may be in question) a judgment may be entered directly against the company.

In several instances where legal questions have been involved, the expense to Republic of a garnishment proceeding has been almost as great as the amount being garnished. In one pending lawsuit, Republic and another company are being sued for \$10,000 damages for allegedly causing the wrongful garnishment of an employee's wages in the sum of \$57.78.

The cost to Republic in terms of damage to employee relations is perhaps even more substantial. While it is difficult to measure,

we believe that the garnishment of an employee's wages often impairs the employee's performance on the job. In a few instances repeated difficulties with respect to garnishments have made it necessary to discharge the employee.

The disadvantages of garnishment laws to the employee are also numerous. Aside from paying interest on his debt, the employee is usually required to pay filing fees and other costs relating to the garnishment proceeding which are added to the amount being garnished. Moreover, a garnishment proceeding is often the forerunner of continuing financial difficulties experienced by the employee and is frequently followed by personal bankruptcy proceedings.

We do not believe that the extension of credit fostered by the garnishment laws is beneficial to the economy of the United States. Aside from the disruption caused by individual bankruptcies, the garnishment laws encourage the extension of credit which would not otherwise be granted and help to divert an employee's earnings away from the purchase of goods and services into the payment of interest and the costs of garnishment proceedings. Thus the prohibition of garnishment laws might well be beneficial for the economy.

It is our belief that the prohibition of garnishment laws would remove a burden on interstate commerce. We would appreciate your making copies of this letter available to the members of the Subcommittee on Consumer Affairs so that our position on this matter will be made known to them. Extra copies of the letter have been enclosed for that purpose.

Sincerely,

H. C. LUMB,

Vice President, Corporate Relations and Public Affairs.

UNITED STATES STEEL CORP.,

Washington, D.C., October 30, 1967.

HON. LEONOR K. SULLIVAN,
Chairman, Subcommittee on Consumer Affairs,
U.S. House of Representatives,
Washington, D.C.

DEAR MRS. SULLIVAN: I am taking this opportunity to communicate with you regarding the truth-in-lending bill (H.R. 11601).

The provisions of the proposed bill which has a direct relationship to our operation is Title II, prohibiting the garnishment of wages. We are in favor of the provisions of Title II (dealing with the Prohibition of Garnishment of Wages) to the bill now before your Subcommittee.

Wage garnishments constitute a heavy and costly administrative burden upon our company. Quite apart from the administrative burden that garnishments impose on any large-size company, we believe that this repayment device may well lead to the extension of credit to wage earners in situations where credit more reasonably might be withheld and in fact serves to enhance the credit problems to which many employees find themselves subject.

We sincerely trust that our comments may be helpful to you and your colleagues in the consideration of this proposed legislation.

Sincerely,

WM. G. WHYTE.

Mr. PATMAN. Mr. Chairman, this amendment has been fully discussed. Therefore, I ask for a vote on it. I hope that the members of the Committee of the Whole House on the State of the Union will sustain the Committee on Banking and Currency on this amendment.

Mr. MYERS. Mr. Chairman, will the gentleman yield?

Mr. HALPERN. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. The time of the gentleman from Texas has expired. All time has expired.

The question is on the amendment offered by the gentleman from Mississippi [Mr. MONTGOMERY].

The question was taken; and the Chair announced that the yeas appeared to have it.

Mrs. SULLIVAN. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. MONTGOMERY and Mr. PATMAN.

The Committee again divided, and the tellers reported that there were—ayes 98, noes 101.

So the amendment was rejected.

COMMITTEE AMENDMENT

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 40, line 6, strike "PROHIBITION" and insert "RESTRICTION".

The committee amendment was agreed to.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that the remainder of the bill may be considered as read, printed in the RECORD, and open to amendment at any point except, of course, that committee amendments come first.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. GROSS. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard.

The Clerk will read.

The Clerk read as follows:

SEC. 202. (a) No person may attach or garnish wages or salary due an employee; or pursue in any court any similar legal or equitable remedy which has the effect of stopping or diverting the payment of wages or salary due an employee.

(b) Whoever violates subsection (a) of this section shall be fined not more than \$1,000, or imprisoned not more than one year, or both.

COMMITTEE AMENDMENT

The CHAIRMAN. The Clerk will report the committee amendment.

The Clerk read as follows:

On page 40, strike lines 13 through 19 and insert the following:

"SEC. 202. (a) Except as provided in subsection (b) of this section, not more than 10 per centum of the excess over \$30 per week, or its equivalent for any pay period of a different duration, of any wages, salary, or earnings in the form of commission or bonus as compensation for personal services may be attached, garnished, or subjected to any similar legal or equitable process or order. No court of the United States or of any State may make, execute, or enforce any order or process in violation of this section.

"(b) The prohibition contained in subsection (a) of this section does not apply in the case of any debt due—

"(1) under the order of any court for the support of any person; or

"(2) for any State or Federal tax.

"(c) The Secretary of Labor is authorized to make such regulations as may be necessary to carry out the purposes of this section. Whoever willfully and knowingly violates any regulation issued under authority of this section shall be fined not more than \$1,000, or imprisoned not more than one year, or both.

"(d) The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this section.

SEC. 203. (a) No employer may discharge any employee by reason of the fact that, on one occasion, wages or other compensation due the employee for personal services have been subjected to attachment, garnishment, or any similar legal or equitable process.

"(b) The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this section.

"(c) Whoever willfully violates subsection (a) of this section shall be fined not more than \$1,000, or imprisoned not more than one year, or both.

"SEC. 204. This title shall not be construed to annul, alter, or affect, or to exempt any creditor from complying with, the laws of any State relating to the garnishment of wages, salary, or earnings in the form of commission or bonus, as compensation for personal services in connection with credit transactions, where such laws—

"(1) prohibit such garnishments or provide for more limited garnishments than are provided for in section 202(a) of this title, or

"(2) prohibit the discharge of any employee by reason of the fact that, on any occasion, wages or other compensation due the employee for personal services have been subjected to attachment, garnishment, or any similar legal or equitable process."

Mr. WYMAN (during the reading). Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state the parliamentary inquiry.

Mr. WYMAN. Mr. Chairman, I have an amendment to section 202. I am just inquiring now as to whether I must await the reading of section 203 and section 204 and so forth before offering it.

The CHAIRMAN. The Clerk is now reporting the committee amendment.

The Clerk concluded the reading of the committee amendment.

AMENDMENT TO THE COMMITTEE AMENDMENT OFFERED BY MR. ROGERS OF COLORADO

Mr. ROGERS of Colorado. Mr. Chairman, I offer an amendment to the committee amendment.

The Clerk read as follows:

Amendment to the committee amendment offered by Mr. ROGERS of Colorado: On page 41, strike out lines 9 through 14.

Mr. ROGERS of Colorado. Mr. Chairman, the objective of this amendment is to eliminate section (c) from section 202 for the simple reason the amendment as drawn here would authorize the Secretary of Labor to draw rules and regulations and to control Federal and State courts.

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. ROGERS of Colorado. I yield to the gentleman.

Mr. REUSS. The gentleman from Colorado was kind enough to furnish both the majority and the minority with copies of his amendment previous to this amendment.

It is my judgment that the gentleman's amendment is a constructive amendment.

The withdrawal of the criminal penalty, and of the intervention of the Secretary of Labor, in this instance seems to me justified because the matter rests, and properly rests, with the State and Fed-

eral courts and is taken care of by the earlier section, section 202(a).

Accordingly—and I have discussed this matter with my leaders and associates on the committee—we would have no objection to the gentleman's amendment, and thank him for his constructive spirit in offering it.

Mr. HALPERN. Mr. Chairman, will the gentleman yield?

Mr. ROGERS of Colorado. I yield to the gentleman from New York.

Mr. HALPERN. I agree with the statement of the gentleman from Wisconsin. I believe the points made by the gentleman from Colorado are well taken, and I concur with his amendment.

Mr. ABERNETHY. Mr. Chairman, will the gentleman yield?

Mr. ROGERS of Colorado. I yield to the gentleman from Mississippi.

Mr. ABERNETHY. An unusual change of heart has taken place here. Only a few minutes ago I heard the distinguished chairman, the gentleman from Texas [Mr. PATMAN], say that this entire committee amendment had been carefully weighed and considered. Could we inquire if there is going to be other amendments accepted to other parts of this "carefully weighed" amendment?

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. ROGERS of Colorado. I yield to the gentleman from Wisconsin.

Mr. REUSS. I respond to the inquiry of the gentleman from Mississippi by saying that this is the only amendment which in the judgment of the majority and the minority of the House Committee on Banking and Currency is an improvement. I will inform the gentleman that it is the only one we propose to accept.

Mr. ROGERS of Colorado. May I respond further by saying that I do have at the desk another amendment which the committee would not agree to, and that amendment would strike out all of lines 1 to 3, inclusive, on page 42, removing the question of making it a Federal crime to discharge an individual when he may have been garnished once. That is an amendment that I propose to offer after this one is adopted.

Mr. ABERNETHY. Mr. Chairman, will the gentleman yield?

Mr. ROGERS of Colorado. I yield to the gentleman from Mississippi.

Mr. ABERNETHY. I just wish to make clear that I certainly have no objection to taking this subsection out. In fact, I would like to take the whole thing out. Indeed, this section should come out because it would authorize the imposition of a fine of \$1,000 and imprisonment in jail for a solid year for the violation of a regulation to be drawn by the Secretary of Labor, no part of which has ever been seen by the House of Representatives.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. ROGERS of Colorado. I yield to the chairman, the gentleman from Texas.

Mr. PATMAN. This amendment was considered before I made the statement that we had agreed to this, because we think it is a constructive suggestion, it is a good amendment, and we ask that the amendment be adopted.

The CHAIRMAN. The question is on the amendment to the committee amendment offered by the gentleman from Colorado [Mr. ROGERS].

The amendment to the committee amendment was agreed to.

AMENDMENT TO THE COMMITTEE AMENDMENT
OFFERED BY MR. ROGERS OF COLORADO

Mr. ROGERS of Colorado. Mr. Chairman, I offer an amendment to the committee amendment.

The Clerk read as follows:

Amendment to the committee amendment offered by Mr. ROGERS of Colorado: On page 42, strike out lines 1 through 3.

The CHAIRMAN. The gentleman from Colorado is recognized for 5 minutes.

Mr. ROGERS of Colorado. Mr. Chairman, as you will readily understand, section 203(a) of this committee amendment provides that no employer may discharge an employee for one garnishment, and that if that employer should discharge him for a garnishment, then he has committed a Federal crime and the punishment is a fine of not more than \$1,000 or up to 1 year in jail.

My amendment merely eliminates the criminal penalties in connection therewith. May I point out that most employers, or a majority of the employers in the United States, are corporations. Is it certain that if a vice president of a corporation should discharge a man and give as a reason that he had been garnished under a State or Federal garnishment act, the vice president would be guilty of a Federal crime? I think, as it is now drawn, when it says "employer" it means the corporation. And if the corporation is the employer, then it would be the only one that would be subjected to that penalty. Hence, I do not believe that we should, as a Federal policy, say to an employer that any time the employer discharges an employee when he has a garnishment, it runs the risk of committing a Federal crime and subjects itself to a penalty of a \$1,000 fine or a year in jail.

Hence, we should not, as the Federal Government, enter into the employer-employee relationship and subject that employer to this penalty. There will be ample ways in which the garnishment may be carried out, because it still is the court that may have issued the execution and still it is with the sheriff or constable to carry out the garnishment. He is under the control of the court, and this court is under direction to follow the other sections of this law. Therefore, why should we make it a penalty and a crime, when it is not necessary and the man himself will get his adequate protection?

I therefore urge that my amendment be adopted.

Mr. REUSS. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Colorado [Mr. ROGERS].

Mr. Chairman, I shall be very brief. Just a few moments ago we were delighted to go along with another amendment offered by the gentleman from Colorado [Mr. ROGERS], whose judgment and legal knowledge we all respect. We did that because there the amendment struck the criminal penalty from the garnishment process itself, and we believed—

and I believe we were correct—that because the garnishment process itself is lodged in the court, that alone provided a sufficient remedy.

Now we are dealing with an excellent provision of the Halpern amendment, which says that a man cannot be fired because there has been one garnishment lodged against him. If there is more than one, then, yes, he can be; but if only one, then he cannot be fired.

The only penalty provided is the criminal penalty of the fine and modest imprisonment, which is a typical feature of the Federal Criminal Statutes. The reason that is in there is, unless we provide a penalty, there is absolutely nothing to stop the employer from firing with impunity a wage earner against whom one garnishment, just or unjust, has been obtained.

I hope, therefore, this amendment will be voted down.

Mr. HALPERN. Mr. Chairman, I rise in opposition to the amendment.

As explained by the distinguished gentleman from Wisconsin, the committee amendment would prohibit the firing of an employee because of one garnishment.

If there is a second garnishment, the prohibition would not apply.

Let me repeat that, Mr. Chairman, This provision applies the prohibition only to the first garnishment, which is certainly reasonable.

I should like to add that this language was adopted unanimously by our committee. We heard no objection from credit spokesmen. Both the consumer and credit groups agreed this was reasonable and desirable.

The gentleman from Colorado has offered an amendment which would completely destroy the committee amendment which, I should point out—and I repeat—was adopted unanimously.

The gentleman's amendment would take the teeth out of this section of the bill and kill its effective enforcement. I trust his amendment will not prevail and that the committee provision will remain.

The CHAIRMAN. The time of the gentleman from New York has expired.

The question is on the amendment offered by the gentleman from Colorado [Mr. ROGERS] to the committee amendment.

The amendment to the committee amendment was rejected.

AMENDMENT TO THE COMMITTEE AMENDMENT
OFFERED BY MR. WYMAN

Mr. WYMAN. Mr. Chairman, I offer an amendment to the committee amendment.

The Clerk read as follows:

Amendment to the committee amendment offered by Mr. WYMAN: On page 41, line 2, after "United States" strike out "or of any State".

Mr. WYMAN. Mr. Chairman, the purpose of this amendment is to remove the limitation on the State courts, prohibiting orders or processes in violation of new Federal policy.

This statute, as it is presently proposed, would deny to the State courts the powers to enforce their own garnishment laws. By what right does the Congress assume such preemptive authority?

The distinguished chairman of the

committee has said that section 204 takes care of State laws. It takes care of the States laws in terms of grandiose largesse. It says the State laws can exist only as long as they are stricter than the Federal formula set out in the bill before us.

I made this point before, and I make it now in connection with this very simple amendment. There is no authority in the Congress to take the State courts out of the field in terms of enforcement of local garnishment laws. There is nothing in the statute that requires when the transactions are removed from the State court jurisdiction they must have arisen in interstate or foreign commerce. There is no nexus, no connection between what we are trying to do here in terms of what this statute proposes under the Federal Constitution. We are a democracy operating in a Federal system under a republican form of government. The statute before us does violence to this system.

I want no part of such a sweeping preemption in a field that is the prerogative of State legislatures in the whole 50 States.

It is true that some States do not have garnishment laws. That is their business, not ours.

To say that this has something to do with the monetary powers of the Nation, or that more people might go into individual bankruptcy if this statutory formula is not imposed on the whole country is just not so.

I submit that we should remove this language that offends everyone here who is concerned with preservation of reserved State powers, the right of States to make and enforce their own laws except where power to supersede is given to the Federal Government in the Constitution. We can properly, of course, say that no court of the United States may do so.

I quote from line 1, page 41:

No court of the United States may make, execute, or enforce any order or process in violation of this section.

But we should not say, Mr. Chairman:

No court of any State may make, execute, or enforce any order or process in violation of this section.

We simply cannot do this with regard to the State courts if our Constitution means anything any more.

I urge the adoption of this amendment to preserve and protect our constitutional system.

Mr. HANNA. Mr. Chairman, I rise in opposition to the amendment.

I include in the RECORD at this point an argument on the constitutionality of the committee amendment:

STATEMENT ON THE CONSTITUTIONALITY OF
THE PROPOSED GARNISHMENT AMENDMENT
TO THE TRUTH IN LENDING BILL

Some questions have been raised as to the constitutionality of Federal legislation on the subject of garnishment of wages. On first examination these questions seem to have some merit. However, upon more detailed examination of the constitutional issue, it becomes quite clear, I believe, that there is not substantial question as to the constitutionality of such a provision.

Without presenting a long, technical explanation as to why I think Congress has

the constitutional power to legislate in the area of garnishment, it is clear from an examination of court decisions, particularly over the last 30 years, that this power exists.

This fact can be demonstrated most effectively by an examination of the many labor laws which have been enacted during and since the days of the New Deal. There include the National Labor Relations Act, the Fair Labor Standards Act and the Taft-Hartley Act. The Supreme Court has held that the size and impact on interstate commerce of any particular activity is not a relevant question as to the constitutionality of a statute involving such matters.

Likewise, Congress has established minimum prices for agricultural commodities and such prices have been upheld by the courts even in cases in which the producer sold his product only within a single state. In one such case, *U.S. v. Wrightwood Dairy Company*, the Supreme Court stated:

"Congress plainly has power to regulate the price of milk distributed through the medium of interstate commerce . . . and it possesses every power needed to make that regulation effective. The commerce power is not confined in its exercise to the regulation of commerce among the states. It extends to those activities intra-state which so affect interstate commerce, or the exertion of the power of Congress over it, as to make regulation of them appropriate means to the attainment of a legitimate end, the effective execution of the granted power to regulate interstate commerce."

In another instance, Chief Justice of the United States Supreme Court Harlan F. Stone stated, in the case of *Southern Pacific Company v. Arizona* in 1945, and I quote:

"Congress has undoubted power to redefine the distribution of power of interstate commerce. It may either permit the states to regulate the commerce in a manner which would otherwise not be permissible, or exclude state regulation even of matters of peculiarly local concern which nevertheless affect interstate commerce."

Therefore, it appears clear that there is no constitutional barrier to the Congress establishing a national standard for the garnishment of wages. It is simply a judgment for Congress to make that this is a serious situation involving the economic welfare of millions of workers throughout the United States and that the seriousness of the problem is such that congressional action is necessary.

After taking many hours of testimony and studying hundreds of pages of discussion and data on the subject of garnishment the Banking and Currency Committee, and particularly Mrs. Sullivan's Subcommittee on Consumer Affairs, decided that this was indeed a serious national problem and that at least a minimum national standard should be established for the garnishment of wages.

Mr. HALPERN. Mr. Chairman, I rise in opposition to the amendment and move to strike the requisite number of words.

I strongly oppose the amendment offered by the very able and distinguished gentleman from New Hampshire.

As a practical matter, Mr. Chairman, the amendment would put a terrible burden on all workers being garnished, on their employers, and on the creditor seeking a garnishment.

This would be so because if this amendment were adopted, only the Federal courts would have jurisdiction over garnishment proceedings under this law. Therefore in many States, particularly in the South and the West, where there are only two or three Federal district courts covering very wide areas of the State, all involved, would have to travel hundreds of miles to a court in a distant

place instead of going to a local court. In addition, it is my understanding that State courts have in many instances applied Federal laws, and indeed, are obligated to do so. Therefore, to adopt this amendment would do terrible hardship to all concerned. I trust it will be rejected.

Mr. WYMAN. Mr. Chairman, will the gentleman yield for a question?

Mr. HALPERN. I yield to the gentleman from New Hampshire.

Mr. WYMAN. The gentleman referred to the State courts enforcing Federal law. The language here says:

No court of the United States or of any State may make, execute, or enforce any order or process in violation of this section.

This is not an addendum but something subtracted from the State courts. My question of the gentleman is, Where do we get the authority to tell the State courts that their processes shall be of no force and effect in carrying out the law of garnishment in the several States established by their own legislatures?

Mr. HALPERN. My answer is that the argument of our constitutional authority was clarified earlier when the same question was raised during the debate on the Montgomery amendment.

Mr. WYMAN. If the gentleman will yield further, that is not an answer to the question.

Mr. REUSS. Mr. Chairman, I rise in opposition to the amendment because the amendment would in effect wipe out the entire action on garnishment which we are taking. Under the amendment offered by the gentleman from New Hampshire, the State courts could go blithely ahead and garnish the last \$5 from the weekly wage of someone who is making \$30 a week. The mere fact that the Federal courts could not join in the dirty job is small comfort to the people here, and I think we are a majority, who believe that there has to be some limit on the power of a creditor, whether just or unjust, to harass a debtor by the abuse of the garnishment process.

I hope that the amendment will be decisively voted down.

Mr. SAYLOR. Mr. Chairman, will the gentleman yield to me for a question?

Mr. REUSS. I shall be glad to yield to the gentleman from Pennsylvania.

Mr. SAYLOR. I would like to ask the gentleman from Wisconsin whether or not in a State which does not have any garnishment proceedings the committee bill will allow garnishment. For example, in Pennsylvania there is no garnishment of wages. Will this allow the garnishment of wages in that State?

Mr. REUSS. It certainly will not. Pennsylvania should be proud of its anti-garnishment motion, as I know the gentleman is. Under section 204 it is stated with crystal clarity that Pennsylvania, Texas, and other States which have had the good sense to abolish this antique doctrine of garnishment, may continue to do so.

The CHAIRMAN. The question is on the amendment to the committee amendment offered by the gentleman from New Hampshire [Mr. WYMAN].

The question was taken; and the Chairman announced that the yeas appeared to have it.

Mr. WYMAN. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. WYMAN and Mr. PATMAN.

The Committee divided, and the tellers reported that there were—yeas 87, noes 102.

So the amendment to the committee amendment was rejected.

The CHAIRMAN. The question is on the committee amendment, as amended.

The committee amendment, as amended, was agreed to.

Mr. HALL. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, it is my presumption that you are about ready to ask that the Clerk read title III, and as I have throughout the rest of this bill, I would like to propound some questions for information only without indicating whether or not I am for the bill as a whole, or even this title.

Mr. Chairman, we have in title III a proposed Commission on Consumer Finance, and my question is: Would this replace President Johnson's Committee on Consumer Interests, which I believe is now chaired by Mr. Bronson C. LaFollette?

Furthermore, Mr. Chairman, if the proposed Commission does not replace the existing President's Commission, how will the new Commission herein established find its duties and functions differ from those of the existing Presidential committee?

Then, finally, the payoff question would be, Mr. Chairman: What would be the cost of maintaining such a commission?

Mr. Chairman, in the interest of time and inasmuch as we have taken an extra day, I would also at this time like to ask some delving—and I hope thoughtfully and well-prepared questions on the remainder of the bill—the title for administration and enforcement.

What type of credit transaction and what types of business will the Fed regulate under this legislation we are asked to pass here today?

Second, how many additional personnel will be required, Mr. Chairman, by the Fed, by the Commission, and by other Federal agencies, in order to enforce this proposed law?

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. HALL. In just one moment.

Third, Mr. Chairman, how much in additional expense will this cost the taxpayers?

Now, Mr. Chairman, I would be most happy to yield, because on page 18 of the committee report prepared under the aegis of the chairman, and subcommittee chairman, it states:

The regulations will be allocated among various Federal agencies already having regulatory responsibilities over industries affected by the credit disclosure requirements of the bill.

Mr. Chairman, I now yield to the chairman of the Committee on Banking and Currency, the gentleman from Texas [Mr. PATMAN].

Mr. PATMAN. Mr. Chairman, may I say to the gentleman in answer to his first question, this will not interfere with any other law or any commission of the

President now in existence. Furthermore, the duties of the Commission are set forth on page 44 of section 304, and it is evident, if the gentleman will read them, that there will be no conflict.

The total cost authorized in the bill would be \$1.5 million, which would be up to the Committee on Appropriations as to whether or not they would recommend the whole amount, or a smaller sum. It is restricted to that.

Mr. HALL. Would the distinguished chairman please cite for me wherein the additional expense from the taxpayers is stated? Is that on line 8 on page 49 under section 307?

Mr. PATMAN. That is correct; section 307.

Mr. HALL. Of course, Mr. Chairman, we are quite familiar with the process of claiming that an authorization will not necessarily delve into the taxpayers' pocket, but those pigeons have a habit of coming home to roost.

Mr. Chairman, I am glad to have one man's opinion. I submit that these questions are for the perception of all Members.

I yield back the balance of my time.

Mr. GROSS. Mr. Chairman, I move to strike the requisite number of words.

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. I would like to ask the chairman a few questions concerning the Commission that would be established under the terms of this bill.

How many employees are to be added to the payroll under the terms of this Commission?

Mr. PATMAN. I do not know how many. I do not believe it is possible for anyone at this stage to estimate. But I can say that if it will stop all the robberies and all the racketeering, the loan sharking, and the charging of usurious interest rates, it will not be money except well spent. It will be well spent money.

The Committees on Appropriation will have to pass on the number of employees, and I am sure they will use the good judgment which they have used in the past to make sure that they are justified, and will serve the best interests, and that the expenditure is justified, or they will not make the appropriation.

Mr. GROSS. President Johnson has been talking about restraints on spending in the Federal Government and restraints on employment. Did the administration ask for this Commission?

Mr. PATMAN. Certainly, this is an administration bill. Does not the gentleman want to stop the charging of usurious interest? Do you not want to stop exorbitant interest charges?

Mr. GROSS. What is that?

Mr. PATMAN. Do you not want to stop the exorbitant interest charges? There are many people who are being oppressed by this situation.

Mr. GROSS. Is the fact of another commission going to do it? The gentleman knows as well as any Member of the House that simply because a new Commission is established that does not mean all the evils in connection with credit in this country are going to be cured.

The answer that the gentleman from Texas has given me up to this point, as to the number of employees, and the additional empire building implicit in this Commission, is less than no answer at all.

When you held hearings on the establishment of this Commission, as you must have if you were discharging your responsibility, you must have been provided with some idea of how many more people were going to be put on the payroll.

Mr. PATMAN. Now will the gentleman let me answer that?

Mr. GROSS. Yes.

Mr. PATMAN. I think it is very unreasonable to say that before the law is even passed, you must estimate the number of employees it will take to enforce the law. You do not know how widespread the violations will be. You do not know the volume of work that you will have before you. There is no way to reasonably estimate it until the law is passed and it goes into operation.

Mr. GROSS. Of course, the gentleman ought to be aware of the fact that there is a law on the statute books, a public law that requires you to come before the House of Representatives and give us certain information, including the man-hours involved. You have not done so in this bill. You apparently have no intention of doing it. Therefore, you, yourself, are not in conformance with the law governing legislation.

Mr. PATMAN. It is not timely now. When it is timely and appropriate, it will be provided.

Mr. GROSS. Of course, it is timely now.

Mr. PATMAN. It is not timely now but it will be at the appropriate time.

Mr. GROSS. Do you have any idea of how many supergrades you are going to ask for? You provide in the bill for an unspecified number GS-18 employees, which is the top of the supergrades.

Mr. PATMAN. This is a very good cause and it is for a good purpose. I am sure that an adequate number of employees will be provided, and a reasonable number of employees.

Mr. GROSS. I have been here for a few years and I have heard the gentleman hedge in providing information as he is doing today.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman.

Mrs. SULLIVAN. I am happy to inform the gentleman that this is going to be a commission just like the National Commission on Food Marketing. It will consist of nine members, three Members of the House and three Members of the other body. With the six Members of the Congress forming a majority of the committee, they will decide how many employees will be needed and will be asked for in order to do the work that we expect them to do and which is spelled out in this legislation.

Mr. GROSS. We have 434 Members of the House. I do not know how many are present, but those who are ought to have some definite knowledge of the authority being delegated to a brandnew commis-

sion and its ability to engage in empire building in the Federal Government. That is my point.

The CHAIRMAN. The time of the gentleman has expired.

The Clerk will read.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that the remainder of the bill be considered as read, printed in the RECORD, and open to amendment at any point, with the committee amendments to be considered first.

Mr. ASHBROOK. Mr. Chairman, reserving the right to object, as a Member who has an amendment I would like to have an assurance that the time will not be cut off so that there might not be time to adequately explain the amendment.

The CHAIRMAN. The gentleman from Texas has asked that the remainder of the bill be considered as read and open to amendment at any point, with committee amendments to be considered first, and made no request as to the time.

Mr. ASHBROOK. Mr. Chairman, is it not correct that if that is accomplished the gentleman could move at any time to close debate?

Mr. PATMAN. We are not going to abuse any rights of Members.

Mr. ASHBROOK. Mr. Chairman, I withdraw my reservation of objection.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The remainder of the bill is as follows:
TITLE III—COMMISSION ON CONSUMER FINANCE

SEC. 301. ESTABLISHMENT.—There is established a bipartisan National Commission on Consumer Finance (referred to in this title as the "Commission").

SEC. 302. MEMBERSHIP OF THE COMMISSION.—(a) The Commission shall be composed of nine members, of whom—

(1) three are Members of the Senate appointed by the President of the Senate;

(2) three are Members of the House of Representatives appointed by the Speaker of the House of Representatives; and

(3) three are persons not employed in a full-time capacity by the United States appointed by the President, one of whom he shall designate as Chairman.

(b) A vacancy in the Commission does not affect its powers and may be filled in the same manner as the original appointment.

(c) Five members of the Commission constitute a quorum.

SEC. 303. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at a rate of \$100 for each day he is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 5703) for persons in the Government service employed intermittently.

SEC. 304. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the functioning and structure of the consumer finance industry. The Commission, in its report and recommendations to the Con-

gress, shall include treatment of the following topics:

(1) The adequacy of existing arrangements to provide consumer financing at reasonable rates.

(2) The adequacy of existing supervisory and regulatory mechanisms to protect the public from unfair practices.

(3) The desirability of Federal chartering of consumer finance companies, or other Federal regulatory measures.

(b) The Commission may make interim reports, and shall make a final report of its findings, recommendations, and conclusions to the President and to the Congress by December 31, 1969.

SEC. 305. POWERS OF THE COMMISSION.—(a) The Commission, or any three members thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions pertinent to the study. In connection therewith the Commission is authorized by majority vote

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) to administer oaths;

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above; and

(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to require directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized and directed to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff. The Commission shall permit business firms or

individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the conduct of its business, except as herein otherwise provided.

SEC. 306. ADMINISTRATIVE ARRANGEMENTS.—

(a) The Commission is authorized, without regard to the provisions of title 5, United States Code, relating to appointments in the competitive service or to classification and General Schedule pay rates, to appoint and fix the compensation of an executive director and the executive director, with the approval of the Commission, shall employ and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the General Schedule.

(b) The executive director, with the approval of the Commission, is authorized to obtain services in accordance with the provisions of section 3109 of title 5 of the United States Code, but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services. The regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds shall apply to appropriations of the Commission. The Commission shall not be required to prescribe such regulations.

(e) Ninety days after submission of its final report, as provided in section 304(b), the Commission shall cease to exist.

SEC. 307. AUTHORIZATION OF APPROPRIATIONS.—There is hereby authorized to be appropriated such sums not in excess of \$1,500,000 as may be necessary to carry out the provisions of this title. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 306(e).

TITLE IV—SEVERABILITY

SEC. 401. If any provision of this Act is judicially held to be invalid, that holding does not necessarily affect the validity of any other provision of this Act.

COMMITTEE AMENDMENTS

The Clerk read as follows:

On page 44, line 6, after "industry" insert ", as well as consumer credit transactions generally".

On page 44, line 11, strike "financing" and insert "credit".

The committee amendments were agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

On page 44, line 14, after "practices", insert ", and insure the informed use of consumer credit".

The committee amendment was agreed to.

AMENDMENT OFFERED BY MR. ASHBROOK

Mr. ASHBROOK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ASHBROOK: Strike title III, page 42, line 18, and all that follows through page 49, line 5.

The CHAIRMAN. The gentleman from Ohio is recognized for 5 minutes.

Mr. ASHBROOK. Mr. Chairman, my amendment would strike in its entirety title III, the Commission on Consumer Finance.

The proposal for this Commission is not in the Senate-passed bill. I understand, although the Chairman has said otherwise, that it was not recommended by the administration, although I might be corrected on that. The gentleman could give his attention to that.

It is the only provision in the bill, incidentally, that calls for the expenditure of Federal funds.

I personally see no justification for the creation of a Commission on Consumer Finance as proposed in this bill.

In recent years we have all witnessed a very rapid growth in these types of ad hoc bodies in connection with various issues requiring continuing study. Here is just one more \$100 per day, executive department, window-dressing proposal. Undoubtedly there will be a need for such continued study of consumer credit protection. But I think, Mr. Chairman, we should take the lead in this area ourselves in the Congress and see that as much as possible of this study occurs here in this body.

While six of the nine members of the proposed Commission would be Members of Congress—three Senators and three Representatives—commissions drawn along these lines more often than not merely represent the views of executive department staff in whatever administration happens to be in power. I happen to think that consumer credit protection should be a continuing interest on the part of the committees of Congress with proper jurisdiction. I further believe that the oversight, surveillance, and investigative functions of Congress have been greatly eroded by the ever-increasing, though sometimes subtly disguised, delegation of these functions to the executive branch.

With regard to both the promulgation of regulations as well as the administrative enforcement of H.R. 11601, the executive branch properly will play the dominant role. Moreover, section 204(e) establishes an advisory committee to advise and consult with the Federal Reserve Board in the exercise of its functions with respect to this proposed legislation in addition to this Commission. In appointing the members of this committee to advise the Federal Reserve Board it shall "seek to achieve a fair representation of the interests of sellers of merchandise on credit, lenders, and the public." It seems to us that the proposed Commission on Consumer Finance duplicates needlessly the functions of the advisory committee proposed by section 204(e).

Even with the passage of the proposed legislation, there will remain many unanswered questions relating to consumer credit protection. I think Congress should reassert its proper role in further investigating whatever might require legislative revision or solution. Unlike practically every other major legislative proposal of the past decade, truth in lending was and is the product of congressional and not executive initiative. By not relying on reports and recommendations sent to it by a commission oriented to the executive branch, Congress can maintain its initiative in at least this area.

I might say also, Mr. Chairman, I have followed the activities of Miss Esther Peterson and Miss Betty Furness very closely as they have labored in behalf of the administration in their special role as consumer advisers. Judging by their activity—and I say this not as a criticism; in fact, I respect them for their political sagacity—they have spent far more time selling the Great Society as a partisan political product to consumers than in what is advertised as their duties, the watchdog of consumer affairs. They give adequate indication of what a Commission of this type would do. I urge the House to delete this section by supporting my amendment.

Mr. PATMAN. Mr. Chairman, I shall not take much time, so we may get to a vote. May I say this title, this part of the bill was put in by a unanimous vote. It was bipartisan. Both Democrat and Republican members voted for it unanimously. They all want it.

It serves a good purpose. If we were to knock this out, we would go a long way to destroy the bill. Who is going to evaluate the information that is submitted? This is a disclosure bill. We have to have somebody to pass on it and evaluate it and make recommendations. That is what the Commission is for. This is really the heart of the bill. We might as well try to destroy the whole bill, because this would destroy it.

Mr. ASHBROOK. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Ohio.

Mr. ASHBROOK. Mr. Chairman, I may have misunderstood, or there may need to be a correction of the Record. Did the chairman say it was unanimous? It was my understanding there was no vote on this.

Mr. PATMAN. It was unanimous, absolutely. The Republicans and Democrats sponsored this.

Mr. ASHBROOK. By a record vote?

Mr. PATMAN. I do not recall. But the gentleman can rest assured when there is no opposition, we do not need a record vote. Why would we need a record vote? It is unanimous. Nobody disputes that. They are all here.

Mr. ASHBROOK. If the chairman will yield further, again it was my understanding, and I may be wrong, the chairman said the exact opposite, and the chairman said this was recommended by the administration.

Mr. PATMAN. The bill was recommended by the administration.

Mr. ASHBROOK. In response to the question by the gentleman from Iowa

[Mr. GROSS] as to whether title III was an administration proposal, I understood the gentleman to say it was.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Missouri.

Mrs. SULLIVAN. Mr. Chairman, I would be glad to reply. This is not an administration proposal. It is my proposal, in which I was joined by the cosponsors of the bill and by the majority of the committee. The bill itself, yes, is an administration endorsed bill, but many of its provisions, including this one, originated with the sponsors of the bill.

I served on the National Food Marketing Commission, which spent a million and a half dollars to make the most comprehensive study ever done in 40 years into the food business. It took us 2 years. I think we have every right to have this same kind of study made in the consumer credit field. The other study has resulted in legislation, to help the farmer and the consumer and the food industry. It was done by a highly qualified staff of experts, supervised by 10 Members of Congress and five public members, and headed by a distinguished jurist, former California Supreme Court Chief Justice Phil S. Gibson. I look for a similar worthwhile result from this proposal.

Mr. ASHBROOK. Mr. Chairman, I thank the gentlewoman for setting the record correct. The only point I had in mind is that it seems the Commission will go on forever, in perpetuity. Is that what is in mind?

Mr. PATMAN. It all depends on the need.

Mrs. SULLIVAN. It is set for 2 years. There is no need for this to go on forever.

Mr. McCORMACK. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, the House in the Committee of the Whole is coming to the final minutes and the concluding of consideration of this bill.

This is one of the most important bills historic in the history of our country in many decades. The passage of this bill and some other bills that will probably later come up to protect the interest of the consumer of our country will justify making this Congress one of the most historic in the history of our country in connection with the protection of the rights of consumers of America.

I congratulate the chairman of the committee, the chairwoman of the subcommittee, and the Members on both sides, Democrats and Republicans on the committee for their profound consideration which they have given to this bill. I congratulate the House in the Committee of the Whole for strengthening the bill as it was reported out of committee.

In relation to the amendment of my friend from Ohio, let us see what these provisions do. This is original on the part of the committee. This is original action on the part of the House. We know that Congress played a very important part throughout our entire constitutional history in originating matters. This Commission has very important duties to perform. What are they?

The Commission shall study and appraise the functioning and structure of the consumer finance industry, as well as consumer credit transactions generally.

They will recommend and report to the Congress. The recommendations and reports will come back to the appropriate committees of the Congress.

What else is this Commission to do?

They will consider—

(1) The adequacy of existing arrangements to provide consumer credit at reasonable rates.

Everybody wants that. This means we will have a continuing body looking into this, comprised of six Members from both branches of the Congress out of a Commission of nine members.

The report and recommendation will be made to the Congress and referred to the appropriate committees of the Congress for further legislation, if necessary, to be considered by both branches of the Congress.

(2) The adequacy of existing supervisory and regulatory mechanisms to protect the public—

From what?

from unfair practices, and insure the informed use of consumer credit.

(3) The desirability of Federal chartering of consumer finance companies, or other Federal regulatory measures.

It seems to me that these particular provisions and the establishment of the Commission—while it would not be disastrous without them in the bill—are of vital importance not only in giving strength and stability to the bill we pass but also in assuring continuity of consideration by a responsible Commission of which a clear majority will consist of Members of both branches of the Congress.

Mr. GROSS. Mr. Chairman, will the distinguished Speaker yield?

Mr. McCORMACK. I am glad to yield to the gentleman from Iowa.

Mr. GROSS. As I understand it, the \$1½ million in support of this Commission is not budgeted. In the past the President has berated the Congress for exceeding his recommendations. Should I vote for this bill, I wonder if I would be berated by the President for having exceeded his recommendations to the Congress.

Mr. McCORMACK. I believe if the gentleman follows me he will be on safe ground.

Mr. ASHBROOK. Mr. Chairman, will the distinguished Speaker yield?

Mr. McCORMACK. I yield to the gentleman from Ohio.

Mr. ASHBROOK. I certainly would say to the distinguished Speaker that this particular Member knows the Speaker of the House is probably the greatest advocate of this body of any Member we have.

The basic thrust of my amendment is that the House, and particularly a committee of the House, has jurisdiction in this matter and should be doing the very precise thing we would be turning over to the Commission.

Is it the Speaker's belief that the Commission could do better than a particular House committee with jurisdiction in

this matter? That was my particular thought on this amendment.

Mr. McCORMACK. I did not understand fully the question of my friend from Ohio.

Mr. ASHBROOK. I say, the Speaker is probably the greatest advocate for the House of Representatives.

Mr. McCORMACK. The Speaker will always protect the rights of committees and all Members in every way possible.

There are times, as the gentleman knows, when a bill might be introduced when parts of it, if introduced separately, would go to different committees despite the major emphasis. In the drafting of a bill the major emphasis might prompt the reference of a bill to committee A. It might involve provisions which, if introduced separately, would go to committee B.

I do not see any difficulty, if I correctly sense what my friend has in mind, so far as future difficulty is concerned.

Mr. ASHBROOK. Possibly I did not make myself clear. As an advocate of the House—and I happen also to be an advocate of the House of Representatives—it appears to me that our function would be better fostered by having the House itself do the precise matters which the Speaker is saying should be delegated to a commission.

Mr. McCORMACK. We are not delegating anything. We are providing for a continuation of inquiry, and the Commission is to make recommendations and a report to the Congress. The recommendations and the report will be separately acted on in accordance with the rules. Any bills introduced will be referred to the appropriate committees.

With all due respect to my dear friend from Ohio, I believe these particular provisions will strengthen the bill pending before the Committee of the Whole House, and will have a strengthening influence in the future in connection with protecting the interest of the consumers of our country.

Mr. ASHBROOK. I thank the Speaker for his answer. He is a better man than I.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. ASHBROOK].

The amendment was rejected.

Mr. WIDNALL. Mr. Chairman, I move to strike the last word.

(Mr. WIDNALL asked and was given permission to proceed for 5 additional minutes.)

Mr. WIDNALL. Mr. Chairman, we have nearly completed work on the Consumer Credit Protection Act or the truth-in-lending bill, whichever you prefer to call it. Recently, there has been a tendency in connection with various consumer bills to either overstate or understate its importance. The problem with overstating the importance of a measure of this kind is that both the executive branch and Congress breathe a sigh of relief and have a tendency to put aside any further questions in connection with the subject of the legislation. The problem with underestimating the effect and scope of consumer protection legislation is that it sometimes encourages excessive legislative effort for publicity purposes. To an extent, I think

the meat inspection bill last year was a good example of legislative "overkill."

The bill before us this afternoon has, I think, generally avoided either extreme. However, I think even the sponsor of this legislation would have to agree that disclosure of additional credit information will not provide a solution for the very worst credit abuses in our Nation.

We should keep in mind, for instance, that the one major means of evading the purposes of this legislation is to be found through the price mechanism. The most unscrupulous merchants in our society, for the most part in the low-income areas of our Nation's cities, merely have to increase their prices in order to decrease the annual percentage rate they charge on credit. A front-page story in the Washington Post 2 days ago based upon the testimony of the Federal Trade Commission illustrated this point. Moreover, mere disclosure of credit terms will not seriously affect fraudulent practices of fast-talk salesmen who seldom depend upon normal merchandising techniques to assist making a sale. In short, disclosure cannot be expected to seriously affect outright fraud—so often the prevailing practice in the poorest sections of our Nation's cities.

Furthermore, I do not believe this disclosure bill will encourage any sudden move toward a competitive climate based upon interest rates offered by reputable merchants. I think we are only kidding ourselves if we expect this legislation to create such a competitive climate. After all, the costs of providing installment and revolving credit are often very similar in various parts of the country and in different large retail establishments. On the other hand, I agree with the gentleman from Missouri that perhaps the typical consumer has not realized the benefit of cash purchases and short-term as opposed to long-term retail credit.

The real benefit to be derived from this legislation, in my opinion, will result from the credit advertising provisions, and this will be a negative result in that it will be largely unseen and unappreciated by the public. I think that we are going to witness a striking reduction in false and misleading credit advertising and, to the extent that this occurs, our reputable merchants and our established credit institutions will be amazed at the increase in their own business receipts. The "come-on" advertising of a dollar down and a dollar a week or the advertisement emphasizing a false and misleading trade-in value for old TV's or automobiles will be largely removed from the scene. In this regard, I regret that the House defeated the Williams' amendment which would have placed a share of the burden of responsibility on direct mail order companies, newspapers, radio and TV for self-policing the character of advertisements.

Mr. Chairman, I was especially pleased that the majority side of the aisle accepted my amendment which will apply the same standards of disclosure on monthly bills sent out by installment lenders as apply to revolving credit. There is no question that disclosure will have a far more meaningful effect in

educating the public in terms of the American consumer reading it every month on her bills than would have occurred if the disclosure only took place prior to the sale on the contract agreement. My amendment will apply to a potential of some \$75 billion a year in consumer credit.

Mr. Chairman, I want to make it clear that the legislative intent of my amendment applies with equal force to annualizing the credit charges on installment contracts where the so-called front-end load or finance charge occurs in connection with a sale as opposed to the monthly credit charges.

I think the House is also to be commended for accepting the Poff amendment on loan sharking. This represents a milestone in legislative achievement in an area that has been ignored for entirely too long. The significance of the amendments offered by the gentleman from New Jersey [Mr. CAHILL] also should not be overlooked. To a large extent, his amendments will root out the second trust gyp artists.

In conclusion, I want to pay my deepest respects to the chairman of our committee and to the chairman of the Subcommittee on Consumer Affairs. There is no question in my mind that this bill is infinitely stronger, more far-reaching and more effective than that which passed the Senate. We legislated well in committee and here on the floor. Finally, what we should not overlook is the fact that this legislation is nearly entirely the product of congressional initiative, and not merely another in a long line of bills rubberstamped by the Congress at the behest of the executive branch.

AMENDMENT OFFERED BY MR. ZABLOCKI

Mr. ZABLOCKI. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ZABLOCKI: On page 49, immediately after line 11, insert:

"TITLE IV—DISCLOSURE OF CREDIT INFORMATION

"FINDINGS AND PURPOSE

"SEC. 251. (a) The Congress finds—

"(1) large banks and other large creditors are at the present time engaged in the creation and operation of nationwide data transmission and data processing networks whose operations are in interstate commerce and make extensive use of facilities of interstate commerce.

"(2) where credit information relating to the credit standing of individuals and families is handled through these networks, usually only the bare credit rating is transmitted or even readily accessible. The facts or allegations giving rise to the rating are generally unknown to those who use the credit ratings to make credit decisions.

"(3) while those who have created these data processing networks have generally taken elaborate precautions to avoid any legal liability to those most directly affected, the persons being rated, procedures to facilitate the correction, by the persons being rated, of errors in the ratings are virtually nonexistent. On the contrary, elaborate precautions are often taken to conceal from the persons most directly concerned, not only the ratings but the very identity of the organizations making them.

"(4) because of the nationwide character of these data processing networks, and the secrecy, anonymity, and gross oversimplifications which are characteristic of the system,

individual consumers are generally powerless to protect themselves against either error or malice.

"(b) It is the purpose of this title to afford to individuals a means whereby they may ascertain and, where necessary, take steps to correct credit ratings concerning themselves which are, or are based upon information which is, transmitted in interstate commerce or by any means or facility of interstate commerce.

"SEC. 252. For the purposes of this title—

"(a) The terms 'credit' and 'creditor' shall have the meanings defined in section 202 of the Federal Reserve Act as amended by this Act.

"(b) The term 'credit report' means any written or oral report, recommendation, or representation as to the credit worthiness, credit standing, or capacity of any individual, and includes any information which is sought or given for the purpose of serving as the basis for a judgment as to any of the foregoing factors.

"(c) The term 'credit information agency' means (1) any creditor and (2) any individual, organization, or entity which engages in the business of making credit reports.

"(d) The unexplained refusal of a credit rating agency to give a credit report on any individual shall be deemed an adverse credit report on that individual for the purposes of this title.

"SEC. 253. No creditor may make use of any credit report without disclosing that fact and the identity of the credit rating agency to the person to whom the report relates if that person has applied to the creditor for credit.

"SEC. 254. No credit rating agency may make any credit report on any individual without disclosing to the individual, at his request, the content of the report and, in the case of any adverse report, the specific facts or allegations upon which the report is based.

"SEC. 255. The Board of Governors of the Federal Reserve System shall make such regulations as may be necessary to carry out the provisions of this title, and may exempt from the requirements of this title the transmission of any information if it finds that compliance with this title with respect thereto is both unnecessary to carry out the purposes of this title and an undue burden and expense in connection with credit transactions.

"SEC. 256. Whoever violates any provision of this title or any regulation of the Board of Governors of the Federal Reserve System issued pursuant to this title shall be fined not more than \$1,000 or imprisoned not more than one year, or both."

Mr. PATMAN (during the reading). Mr. Chairman, this amendment has been furnished to the majority and to the minority members of the Committee on Banking and Currency. It is my opinion that all the Members on both sides of the aisle understand just what the amendment contains.

Therefore, I ask unanimous consent that further reading of the amendment be dispensed with, that it be printed in the RECORD, and that the gentleman from Wisconsin be permitted to explain the contents of his amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. ZABLOCKI. Mr. Chairman, this amendment would create a new title, title IV, affecting the disclosure of credit information.

It would establish the right of an individual seeking credit to see any report prepared on himself by a central credit bureau or similar agency.

Information contained in credit reports currently is denied our people. This denial is both unjust and can cause serious economic hardship.

We live, Mr. Chairman, in a largely credit economy. A good credit rating is a virtual necessity and a precious possession.

Most Americans today live on credit—that is, on future earnings—with about 60 percent of the average individual's net income going to credit obligations of one kind or another. The practice is growing steadily.

Mr. Chairman, as you know, before any institution will extend credit, it examines the credit rating of the individual applying for credit. This rating is customarily received from one of the more than 2,500 local credit bureaus located throughout the United States.

These local bureaus are now in the process of being linked together by a nationwide data transmission and data processing network.

The purpose—and a good one—is to speed the transmission of credit information to every corner of our Nation.

At the same time, however, it will increase the possibility of injustices being done individuals seeking credit.

Where information relating to the credit standing of individuals and families is handled through these networks, usually only the bare rating is transmitted.

The circumstances giving rise to the rating are generally unknown to those who use the credit ratings to make credit decisions.

A mistaken identity or a situation requiring more explanation than is possible in transmission can ruin the chances of an individual to establish credit in a community into which he recently has moved.

My own deep interest in this problem dates from last fall when one of the families in my district suffered economic hardship and considerable embarrassment because of an erroneous credit report.

Because this family was denied any information contained in the report, the work of rectifying the mistake was a most complicated and burdensome process.

This refusal to access of a credit report is not unique.

As a matter of policy, credit bureaus in the country today will not show individuals their own credit report.

A recent Reader's Digest article entitled "What Credit Bureaus Know About You," cites another interesting situation. A man was refused credit because his file contained an outdated record showing that he had been sued for non-payment of a bill.

The fact was that the court suit had been brought 15 years earlier by a racketeering agency which had sent him publications he had never ordered. Although the suit had been thrown out of court, that information was not in the file.

Let us now turn to a section-by-section analysis of the bill.

Section 251 describes in detail the evils which this bill is designed to correct.

Subsection (a), (b), and (c) simply define the terms used under the bill.

The definition of "credit report" and "credit information agency" make it clear that the bill applies only to those agencies in the principal business of making such reports.

Subsection (d) is designed to prevent a credit agency from refusing to show an individual his credit report simply by saying that they do not have such a report, without explanation.

It is reasonable to assume that if an individual has applied for and been denied credit in a community, his record can be found at the local credit bureau. If for some reason it is not there, the credit bureau can escape any liability under the amendment simply by explaining the situation to the individual.

Section 253 gives a person denied credit the right to know from the institution denying credit the name of the agency from which the adverse report was obtained. With this information he would then be able to approach the proper agency for redress.

Section 254 would require that credit rating bureaus must, upon request, show an individual any credit report that they have made on him.

As I have pointed out before, at present an individual has no such right.

Section 255 puts the power of enforcing the legislation in the hands of the Board of Governors of the Federal Reserve Board.

To the Board it gives the authority to make the regulations necessary to carry out the intent and purposes of this amendment. In this the Board would be guided by the legislative intent expressed in section 251 of the amendment.

The Federal Reserve Board is also given the power to determine exemptions on those forms of information which it finds constitute an undue burden or expense on credit rating agencies. In this connection the intent is not to disrupt the normal operations of our credit system. It is important to the economic health of our Nation.

This section will give the power to exempt from regulations whatever types of credit rating the Board finds to be necessary.

This, I am sure will prevent any undue burden falling on our credit rating bureaus while getting at the evils which is the purpose of the amendment.

It may be noted here that corporate credit reports are not affected under the act—only consumer credit reports.

And finally, section 256 prescribes the penalties which may be incurred for violations of the title or regulations set down to implement it.

Mr. Chairman, every individual ought to have the right to see a credit report compiled on himself or herself. This title will establish that right.

I urge its adoption as title III of the Consumer Credit Protection Act.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. ZABLOCKI. I am delighted to yield to the distinguished gentleman from Texas, the chairman of the Committee on Banking and Currency.

Mr. PATMAN. Mr. Chairman, if this amendment is adopted, and if there is anything wrong about it, we shall have another opportunity to pass upon it, because there is no question but what this

bill is certainly going to conference. However, this amendment has been very carefully examined by our staff of the Committee on Banking and Currency as well as by the members thereof, and we are confident that it is a good addition to the bill and will make the bill even stronger.

Therefore, Mr. Chairman, we are willing to accept the amendment which has been offered by the gentleman from Wisconsin.

Mr. ZABLOCKI. I thank the distinguished gentleman from Texas for his observation and for his acceptance of the proposed amendment.

Mr. WAGGONNER. Mr. Chairman, will the gentleman yield?

Mr. ZABLOCKI. Of course, I am glad to yield to the gentleman from Louisiana.

(Mr. WAGGONNER asked and was given permission to revise and extend his remarks.)

Mr. WAGGONNER. Mr. Chairman, do I understand correctly that the amendment which has been offered by the distinguished gentleman from Wisconsin [Mr. ZABLOCKI] will forbid, if adopted, any person engaged in the retail business who has asked for credit, to deny confidential credit information from references to the applicant for credit?

Mr. ZABLOCKI. Not at all; it does not propose to do that at all. It provides that one seeking credit be given an opportunity to know why credit is denied to him and upon what basis. It is my opinion that an applicant for credit should have this right, because there are errors which occur in credit ratings. On many occasions a credit rating is established based on erroneous information. Further, errors in identity often occur. When such circumstances exist the individual seeking credit or attempting to correct a credit rating is unable to do so unless he is told the reason for the adverse credit report.

Mr. WAGGONNER. Let me ask this one other question, if the gentleman will permit me—

Mr. PATMAN. Mr. Chairman, will the gentleman yield first for a brief suggestion?

Mr. ZABLOCKI. I will be glad to yield to the chairman.

Mr. PATMAN. There are plenty of agencies in the country that commercialize confidential information that is obtained legally, and one of the objects of this is to prevent the commercialization of confidential information. That is a good thing; is a wonderful thing, and it is something we should have had a long time ago.

Mr. WAGGONNER. I beg to differ with the gentleman.

Mr. TIERNAN. Mr. Chairman, will the gentleman yield?

Mr. ZABLOCKI. I yield to the gentleman from Rhode Island.

Mr. TIERNAN. Would this not, or could this not lead to lawsuits against, say, business bureaus who give out information with regard to credit references? There is no protection with respect to suits against them?

Mr. ZABLOCKI. I submit there is adequate protection in this regard in sec-

tion 255. This section provides for the power of enforcing this legislation, in the hands of the Board of Governors of the Federal Reserve Board. This Board could exempt under provisions of this section the requirements to transmit any information if it finds that compliance is unnecessary to carry out the intent and purpose of this amendment. The Board of Governors of the Federal Reserve Board could exempt in certain instances.

As to the possibility of or protection from suit, I submit credit rating bureaus should be as careful as banks and other large creditors pertaining to credit ratings. If accurate information is given, and error is kept to the minimum, there is little possibility of a suit. I believe we should be just as concerned about the credit rating of individuals and the right to maintain a proper credit status for a creditor as it is for the possibility of a suit, because of careless and erroneous information.

Mr. TIERNAN. This amendment, as I understand it, is directed to information supplied by a third party, or only by the party requested to give credit?

Mr. ZABLOCKI. From the third party.

Mr. TIERNAN. So that information obtained from the third party is given to the purchaser; is that correct?

Mr. ZABLOCKI. That is correct.

Mr. TIERNAN. There is no protection for the instrument or the agency that is given the information from a lawsuit from that purchaser if the information is false; is that correct?

Mr. ZABLOCKI. There would not be any protection any more than—

Mr. TIERNAN. The only thing is today they are not required to give that information, are they?

Mr. ZABLOCKI. They are not.

(Mr. ZABLOCKI asked and was given permission to revise and extend his remarks.)

Mr. WIDNALL. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

This, it seems to me, is a very far-reaching amendment. I believe the purpose is good, but it is something we never took up in committee. It is so far reaching that we should have ample time to consider it within committee as a separate measure some time in the near future. I believe we are making a great mistake to act hurriedly on this without having any kind of testimony as to its far-reaching effect.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the distinguished chairman.

Mr. PATMAN. May I invite the distinguished gentleman's attention to the fact that the Poff amendment yesterday was rather a far-reaching amendment, and it is in the same category, and it is in the same deal that this would be in. So I believe it would be reasonable to suggest that if there is anything wrong about this amendment—and I do not believe that there is, and our experts say there is nothing wrong with it, and it is in the public interest—but should anything wrong be discovered about it, we

still have another chance of taking it out.

Mr. WIDNALL. I certainly do not believe that there is any similarity between this amendment and the Poff amendment. The matters contained in the Poff amendment are of pretty general knowledge, and were talked about for many, many months. This is not something that has been discussed within the Congress, or by a congressional committee, and I believe it would be a serious mistake to accept it now.

Mr. FLYNT. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman from Georgia.

Mr. FLYNT. I agree with the gentleman from New Jersey that the amendment should be defeated.

From what I heard of the explanation of it, it appears to me that the adoption of this amendment might put the responsibility on the merchant to justify the refusing of credit in any amount to a person who applied for credit at his place of business.

It could subject a merchant to a damage suit in the event he refused to extend credit.

Mr. ZABLOCKI. Mr. Chairman, will the gentleman yield?

Mr. WIDNALL. I yield to the gentleman.

Mr. ZABLOCKI. I am sorry if I gave that impression. A merchant would in no way be liable. I believe, however, and I am sure the gentleman from New Jersey will agree, that an unexplained refusal of credit rating is unjust to a purchaser who desires to have credit, and I think there ought to be an explanation when he is denied that credit.

Mr. HOLIFIELD. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I have not spoken on this bill, but I am a little bit concerned about this amendment offered by my friend, the gentleman from Wisconsin [Mr. ZABLOCKI].

In the utilization of commercial practices, the people who are in business frequently go to credit agencies and ask for credit reports on people. Those credit reports usually come in and the ratings, particularly on consumer credit come in as "A," "B," "C" and so on. Sometimes they come in saying the man is behind time in his payments. Sometimes it comes in saying that he had to be sued to obtain payment of his bill. Sometimes you have information that he is undergoing divorce proceedings and that his accounts have been tied up in court by the complaining partner in the marriage.

There is a lot of confidential information in these credit reports which I feel is confidential, and I just think we are going a little to far here on this particular thing, if I understand the Zablocki amendment correctly.

I speak as a person of some experience. I happen to own a retail business and I utilize the revolving credit formula. You have to use it if you are going to stay in competition because everybody else uses it. I do utilize it—and at a rate 33½ percent less than the people in my particular area—and I do that voluntarily.

But there have been an awful lot of amateurs talking in the well of the

House who have not had commercial experience and retail commercial experience in the utilization of credit.

I have heard a lot of statements from the well of the House that are pretty unrealistic. I have not challenged them because I do not want to be in the position of being a self-pleader or in a conflict of interest even for a moment.

I supported the so-called Sullivan amendment. I am going to support the bill because I do believe in full truth in credit and in letting the consumer know what that cost is going to be. I do not care whether it is on a monthly or a yearly basis so far as I am concerned personally.

But here is a three-page amendment. I do not know—are you going to come in next and ask a lawyer to reveal his confidential information between himself and a client if it happens to be related to credit or for some other purpose?

I just think we ought to go a little bit slow on this thing and know a little bit more about it.

The gentleman from New Jersey [Mr. WIDNALL] has said that this matter was not brought up in committee and discussed. It is farreaching in its effect. I would just say I think we ought to go a little bit slow on forcing a merchant to reveal confidential information.

Are you going to take the Dun and Bradstreet ratings of merchants, for instance, and publish them in the paper or give them to irresponsible people who might disclose the credit standings of firms as well as individuals? I do not know how far this will go.

Mr. ZABLOCKI. This does not affect corporate credit ratings at all. It has to do with individual consumer ratings.

Mr. TIERNAN. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentleman from Rhode Island is recognized for 5 minutes.

Mr. TIERNAN. Mr. Chairman, I am concerned about this amendment because, frankly, I have been supporting Mrs. SULLIVAN's amendments to the bill in their full context. However, if you take the time to read the language of this amendment, the amendment applies to all credit reports, either written or oral, made as reports, recommendations or representations as to the creditworthiness, credit standing or capacity of any individual.

I pose the example to the Members of the House here of my being a merchant and having a customer by the name of Tiernan come into my store to buy a color TV. I tell him that I do not have that set in my store at the moment but I will have it in tomorrow. I meet Mr. Jones the next morning for coffee. He is a merchant also in town. He tells me that Tiernan's credit rating is not too good because he had some experience with him when he bought a refrigerator from him. He was a little delinquent in payment.

That day I go back to my store and Tiernan comes in to get the TV set. I decide that I am not going to extend him any credit.

Does the amendment mean that I have to tell Mr. Tiernan that my good friend,

Mr. Jones, told me that he was not credit-worthy, and if I do, what is my legal liability?

There is no protection here at all for a suit against me or against Mr. Jones, who told me that information.

Frankly, though the committee members may have studied this, there is no testimony before the committee with regard to the amendment, and I think it may be useful to bring it in before this body in a different form with certain safeguards in it, but in its present form I think it goes a little bit too far in that we may be getting into areas where we do not know what would result as a consequence of this attempt to protect the consumers.

Mr. MINISH. Mr. Chairman, will the gentleman yield?

Mr. TIERNAN. I yield to the gentleman from New Jersey.

Mr. MINISH. There is another possibility in the example you stated. The party of the second part may not want to lose the business. He resents the purchaser going to another store. So he tells the man who asks that the prospective purchaser is a bad credit risk in order not to lose him as a customer.

Mr. TIERNAN. That is true; that is always a possibility. However, after 2 days of debate on this measure we should be most cautious not to take a step which would result in greater damage than good.

Mr. HOLIFIELD. Mr. Chairman, will the gentleman yield?

Mr. TIERNAN. I yield to the gentleman from California.

Mr. HOLIFIELD. The extension of credit by a merchant is a matter of judgment. He extends credit on the basis of his judgment that the extension of that credit will result in the man paying his bills. Many things may enter into his judgment on that question. Here you would step in and say that he has to reveal the confidentiality of any information that he may have on the extension of that credit. If you are going to force every man who sells merchandise on credit to sell and prove all the factors or reveal all the factors which concerned his judgment that the extension of credit will be justified and that the bill will be paid, it seems to me you are going a long ways to make the man liable for a suit for revealing the information which he may have, but which may be very difficult for him to go into court and justify or reveal without the basis of a suit against him or his informant.

You are not denying that individual the right to have merchandise. He can go to a competitor and get his merchandise if he wants to. But again I say you cannot take away the judgment from the merchant as to whether he should sell a prospective buyer or not sell.

Mr. PICKLE. Mr. Chairman, I move to strike the requisite number of words.

I simply wish to say that I think we are getting on dangerous ground here, however well intended the amendment offered may be. I am sure that is the case. The amendment states on page 2:

It is the purpose of this title to afford to individuals a means whereby they may ascertain and, where necessary, take steps to correct credit ratings. . . .

That is a good purpose, but it does not say how he is to obtain these records, and it might mean he would come to a merchant and make him reveal any kind of credit rating that might have been given to the merchant in confidence.

The amendment goes on further to say in section 254 that no credit rating agency may make any credit report on any individual without disclosing to the individual at his request the contents of the report, and, in the case of any adverse report, the specific facts or allegations on which the report is based.

I would say that would put a merchant in a very disadvantageous position and that he would be hesitant either to furnish or certainly not furnish any kind of document he might have.

Perhaps an individual ought to have a chance to see why his credit was refused. Perhaps there is a better answer to it. Perhaps we should say to the commission they may receive complaints from an individual if they feel credit was improperly denied, or at least the individual would have some place to go. But it seems to me we do not have this well thought out, and, pending some conference with the other body, I think this is a very dangerous thing, and we should have further thought on this amendment. I, therefore, oppose the amendment.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. PICKLE. I yield to the chairman.

Mr. PATMAN. Mr. Chairman, may I say the intent of this amendment is spelled out in the first paragraph. We have a different situation. It involves millions of dollars of credit. Here is language that talks about large banks and other large creditors which are to be engaged in the creation of and operation of a nationwide data transmission and data processing networks. It is necessary that people have some protection in the bill against these machines if mistakes are made. I think this is very reasonable, and it is the very thing we did for the minority side yesterday. We accepted a long amendment, much longer than this, with the understanding we would go along with it and study it in detail before the conference is held.

Mr. PICKLE. No one questions the intent of the amendment. The question is how the document might or might not be furnished and under what circumstances. I think it has not been well thought out and should be defeated.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. PICKLE. I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Chairman, I have not seen a copy of the amendment. Does this go to bank credit ratings as well as to credit bureaus?

Mr. PICKLE. Mr. Chairman, I would just answer the gentleman this way. The amendment at the beginning says "that large banks and other large creditors"—but throughout the entire amendment it talks in terms of "any creditor" not being able to refuse documents or data. I think it would go much further than any bank. It could go to any bureau or to any merchant.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. ZABLOCKI].

The amendment was rejected.

Mr. BYRNE of Pennsylvania. Mr. Chairman, I completely support the gentle lady from Missouri, Congresswoman SULLIVAN, on this important legislation to protect the consumers of this country. She has done a magnificent job in calling to the attention of the American people the need for truth-in-lending legislation and for protection of the consumer in the use of credit.

In Philadelphia we have had many instances where the poor have been victimized by sharp practices of the money lenders and the credit gyms, and it is time to expose these people by making the true facts known to the consumer about the rates charged for credit.

Mr. PATMAN. Mr. Chairman, in recent months, the National Rural Electric Cooperative Association has done much to inform the public—particularly our rural citizens—about the need for a strong truth-in-lending bill.

Through the office of its Women's Activities Coordinator, Mrs. Erma Angevine, NRECA has used its publications and meetings to explain the tremendous need for this type of legislation. This work with its 20 million consumer members across the country has been invaluable in gaining wide understanding and support for H.R. 11601. In addition, I know that many State rural electric associations, including my home State of Texas, have given equally strong support to the cause of justice for the American consumer.

Mr. Chairman, the National Rural Electric Cooperative Association, along with other consumer organizations, has given its full support to the inclusion of revolving credit and the elimination of the \$100 exemption. In short, they have asked that the major loopholes be closed and I commend them for this position. Their position on this legislation has been beneficial not only to the rural people, but to the entire country.

Mr. BINGHAM. Mr. Chairman, the purpose of the amendment proposed by the gentleman from Virginia [Mr. Poff], for which I voted this afternoon, is to make loan-sharking activities by organized crime syndicates a Federal crime. I trust that the amendment will be carefully studied by the Senate-House conference committee when it considers the bill, as the distinguished chairman, the gentleman from Texas [Mr. PATMAN] indicated would be the case. Certainly it is not good legislative practice to have a far-reaching amendment of this kind considered for the first time on the floor of the House without extensive debate, but the machinations of the organized crime syndicates deserve Federal attention and adoption of the Poff amendment will guarantee this attention. If, after studying the provisions of the Poff amendment, the conference committee should decide that the provisions are too vague or too broad and that innocent persons may be put in jeopardy, I trust that the conference committee will either revise the provisions so as more precisely to pinpoint the evil attacked or will reject the amendment altogether, with a view to having the provisions studied in

greater detail by appropriate committees of both the House and Senate.

I respect those few of my colleagues who voted against the amendment because of what they felt were its technical imperfections, but I am confident that such technical imperfections can be dealt with in the manner I have suggested.

Mr. HORTON. Mr. Chairman, I rise in support of the Consumer Credit Protection Act of 1968. There is wide support for truth-in-lending legislation in this country, among borrowers and lenders and among sellers and buyers. It is fair to say that there is a real consensus on the need for fair and full information on the costs of borrowing money, and on the costs of buying merchandise "on time."

Under this bill, lending institutions and sellers will be required to disclose in easily understandable and uniform terms what the cost of credit will be in a particular transaction. This will enable the borrower and consumer to compare and shop for credit which is most economical without having to decipher complex or incomplete statements of credit costs. These disclosure requirements will extend to credit advertising as well as to specific credit transactions, to further facilitate a situation where the consumer can select his creditor or lender with his eyes wide open, and with a full understanding of the transaction he is about to enter.

In addition, the several factors included in total financing charges are subject to these disclosure requirements—for example, where credit life insurance is mandatory, this fact, plus a detailing of its costs must be disclosed to the borrower.

Mr. Chairman, the Congress does not, by enacting this bill, impose any ceilings or regulations on interest rates or installment buying and selling practices. These matters, in most cases, are the rightful province of the States. The bill does include, however, two provisions which strongly discourage unfair and illicit credit practices.

The first restricts the garnishment of employee wages to no more than 10 percent of earnings above \$30 per week, and it forbids employers from firing an employee for his first garnishment. This provision is generally parallel to the laws of New York and other States.

The second provision, puts the teeth of Federal enforcement behind State laws prohibiting loan-sharking, or lending at illegally high interest rates by making violations of State interest laws a Federal offense. This provision is among the most important in the legislation. It hits hardest at organized crime, which derives a large income each year from loan-shark operations. This section of the bill complements nine bills I introduced during the first session to provide the necessary legal and enforcement tools for a crackdown on organized criminal operations. The addition of the anti-loan-shark amendment to the Consumer Protection Act is a very welcome and crucial one.

Mr. Chairman, I commend the members of the Committee on Banking and Currency and the segments of our economy which have cooperated in giv-

ing form and substance to this landmark piece of legislation. H.R. 11601 has my fullest support; I view it as a benefit to all segments of what is rapidly becoming a credit-oriented economy, particularly to the American consumer.

Mr. COHELAN. Mr. Chairman, I rise in support of the Consumer Protection Act.

This measure, generally known as the truth-in-lending bill, is the most important piece of consumer protection legislation to come before the House of Representatives in many sessions.

This bill will allow us, as consumers, to shop knowledgeably for credit.

Unlike groceries which are sold for so much a pound, and therefore with easily comparable prices, credit charges have not been regularly disclosed, and when disclosed, they have not generally been disclosed in a complete and comparable manner. Put simply, what the truth-in-lending law will do is to require complete disclosure, in writing in advance, of the total dollar costs of credit, stated in a readily comparable annual rate. Thus, it will be easy to shop for credit. Everyone will know how much they are paying and at what rate. Consumers will then knowingly be able to reject excessive credit charges.

The House bill, as amended, will require credit cost disclosure for practically all consumer credit. It will cover consumer bank loans, finance company loans, credit union lendings, installment credit sales, revolving credit, and home mortgages. Credit purchases on credit cards, at department stores, and of automobiles, furniture, and appliances will be with complete disclosure.

What is complete disclosure under the bill? It is disclosure of all credit costs, including those figured as a percentage of the amount of credit extended, points on home loans, loan fees, credit life insurance and the like. All mandatory charges imposed by the creditor and payable by the borrower incident to the extension of credit must be disclosed.

Not only must all these charges be disclosed, but they must be stated in dollars and cents as the total cost of credit. And this cost must also be stated as an annual rate.

Thus the 6-percent, 12-month automobile loan in which the credit costs are added to the amount borrowed and then the balance paid off in 12 equal monthly installments would be stated as 10.90 percent per annum interest on the unpaid balance. This certainly will make it easier to compare credit costs.

The bill also requires that credit costs and rates be disclosed in writing in advance of the transaction. Disclosure also will be required of the number, amount and due dates of payments, as well as of any penalties for late payments.

Revolving credit accounts, like those used by most department stores, are a major and growing source of consumer credit. To assure knowledgeable shoppers for this form of credit the bill requires, in addition to total cost and rate disclosure, that the seller tell the buyer the following:

The basic conditions of the credit plan;

The method of calculating credit costs;
The nature and calculation method of any late costs or penalties;

The outstanding balance at the beginning of the billing period;

The amount and date of each extension of credit, and a description of any goods which were purchased;

The total amount credited to the buyer's account during the billing period;

The total amount of credit charges incurred in the billing period, including a breakdown of those which are due to a percentage charge, and those due to a fixed fee; and

The date by which payment must be received to avoid any penalty or late fee.

Thus there is extensive coverage of this form of credit. Revolving credit buyers will now be more able to decide whether to buy on time and if they do whether they are paying more or less than they might pay elsewhere.

In this area, it is worth a moment's pause to point out that a considerable portion of the revolving credit costs do not represent true interest costs. Most of the costs of extending revolving credit are service charges much like those charged by banks on the processing of personal checks. Each charge entry and each payment on the revolving credit account, like each check and each deposit, requires considerable processing. The revolving credit charges must meet these costs as well as the interest costs of loaning money. Thus it is to be expected that the rates quoted on revolving credit will be considerably higher than the rates quoted on sizeable loans which do not entail so large a processing factor. This fact may require a revision of the handling of revolving credit disclosure.

Also, the annual rate disclosure required by the law is not a totally accurate description of the credit costs. If revolving accounts do not, for example, credit payments made during the billing period in computing charges, the costs will be higher, but the annual rate figure will not reflect it.

However, we cannot solve all the problems at the outset. What we must do is to keep a very close watch on the functioning of the disclosure system this bill sets up, and to make the changes, if any, which are suggested by malfunctions in the system.

By adopting the amendment requiring disclosure of credit charges under \$10 and annual rate quotations for revolving credit, we have not solved all the problems. We must continue to be watchful.

Too, the conference will have the chance to work its will on this measure, and any final judgment must await the actual enactment of this measure.

Not all the significant provisions of the truth-in-lending bill deal directly with the extension of credit. Title II of the bill protects wage earners by prohibiting with certain exceptions the garnishment of the first \$30 of wages each week, and 90 percent of all wages over that amount. Further still, and perhaps even more importantly, the bill prohibits the discharge of any employee on the ground that he has on one occasion had

his wages attached. This will relieve a great pressure and threat from all workers, and especially those at the lower income levels.

Title III of the bill will establish a Consumer Finance Commission to study the functioning and structure of the consumer finance industry. This will help us keep an eye on the mechanics of the truth-in-lending measure and on any aberrations which need to be corrected.

In short, the truth-in-lending bill is a major piece of legislation. It takes us a long way from the old caveat—let the buyer beware—and moves us toward the ideal of fully informed and truly knowledgeable buyers—and fair sellers.

Mrs. SULLIVAN. Mr. Chairman, this has been a thrilling experience and I want to thank all of the Members on both sides of the aisle who have been helpful on this legislation, particularly the chairman of the Banking Committee, Mr. PATMAN; the ranking minority member, Mr. WIDNALL—I must admit he has given me some problems from time to time but he is always a gentleman and he fights clean; the cosponsors of this bill, Mr. GONZALEZ, Mr. MINISH, Mr. ANNUNZIO, Mr. BINGHAM, and Mr. HALPERN—it took courage to put their names on this bill back on July 20 when it was introduced and contained provisions on truth-in-lending we were told would not stand a chance of being considered, and then these other things like garnishment, at the time, was considered a very extreme proposal. After we had our session with the Federal Court Bankruptcy Referees and some of the great legal experts on this subject, a completely new attitude developed on the garnishment issue.

I cannot begin to single out all the people who have helped in drafting or in suggesting revisions in the bill to improve it. The staff has worked terribly hard. The furniture dealers' Washington representative, Mr. Spencer Johnson, was one of the first in the business field to really get busy on alerting independent business on the danger to small business and independent business from the revolving credit amendment, and the banking community, when it finally did become involved at the local level, was very effective. Evelyn Dubrow and her truth-in-lending task force, consisting of many of the civic and voluntary and labor organizations, did a wonderful job in alerting consumers and Betty Furness I am proud of. As far as I am concerned, she put more into this than the rest of the administration combined. She is a worthy successor to Esther Peterson.

I know the Members of the House are my friends and will not be critical of the immodesty in my reading now the most touching and the most wonderful communication I have received on this fight. It was in my office last night when I returned from the floor after the terrific landslide votes on revolving credit and the \$10 exemption, and I hope everyone will excuse my vanity in reading this message because of the history of the 8-year battle over this legislation and the fact that this is the first time this legislation has ever been considered in the House. The message is as follows:

God bless you, dear lady, for your work and bravery. It could not have been done without you and, from all I hear, you were the deciding factor. There are millions who will yet rise up and call you blessed.

With love and affectionate gratitude.

PAUL H. DOUGLAS.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker pro tempore (Mr. ALBERT) having assumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 11601) to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by establishing maximum rates of finance charges in credit transactions; by authorizing the Board of Governors of the Federal Reserve System to issue regulations dealing with the excessive use of credit for the purpose of trading in commodity futures contracts affecting consumer prices; by establishing machinery for the use during periods of national emergency of temporary controls over credit to prevent inflationary spirals; by prohibiting the garnishment of wages; by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes, pursuant to House Resolution 1043, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment?

Mr. GERALD R. FORD. Mr. Speaker, I demand a separate vote on the so-called Poff amendment.

Mr. WAGGONER. Mr. Speaker, I demand a separate vote on the Committee amendment on page 40, line 13, as amended in section 202.

The SPEAKER pro tempore. Is a separate vote demanded on any other amendment? If not, the Chair will put them en bloc.

The amendments were agreed to.

The SPEAKER pro tempore. The Clerk will report the first amendment on which a separate vote has been demanded.

The Clerk read as follows:

On page 40, insert after line 5 the following new section:

"SEC. 102(a). The Congress makes the following findings:

"(1) Organized crime is interstate and international in character.

"(2) Organized crime is engaged directly in interstate and foreign commerce, as well as intrastate commerce, in loaning money and other valuable things at excessive rates of interest, often in conjunction with the use of force, violence, and fear. This so-called loan sharking business of organized criminals and other criminals involves billions of dollars each year.

"(3) The stability of the Nation's economy is affected by loan sharking activities.

"(4) The use of legitimate credit channels would be enhanced by the prevention of loan sharking activities.

"(5) The production and flow of goods in the Nation's economy is hindered by the diversion of money into excessive and confiscatory credit payments.

"(6) Federal programs designed to aid the poor in the United States are rendered less effective by loan sharking activities.

"(7) The diversion of money and assets into organized crime nullifies the purposes and benefits of a free enterprise economy and hinders the operations of Federal statutes and regulations designed to preserve that economy.

"(8) In order to protect commerce, benefit the national economy and assure the full effects of Federal programs designed to aid the poor and maintain a free enterprise system, it is the purpose of this Act to prohibit loans at excessive and prohibitive rates of interest.

"(9) Loan sharking activities directly impair the effectiveness and frustrate the purposes of the laws enacted by the Congress on the subject of bankruptcies.

"(10) Loan sharking activities impair the stability of the national economy and thereby interfere with the regulation of the value of money.

"b (1) Whoever in any way or degree obstructs, delays, or affects commerce or the movement of any article or commodity in commerce by loan sharking or attempts so to do shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

"(2) (A) Whoever travels in interstate or foreign commerce or uses any facility in interstate or foreign commerce, including the mail, with the intent to promote, manage, establish, carry on, or facilitate the promotion, management, establishment, or carrying on, of loan sharking, and (B) thereafter performs or attempts to perform any act described in the preceding clause, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

"(3) As used in this section—

"(A) The term 'loan sharking' means the lending of money at a rate of interest prohibited by the statutes of the State where the loan transaction takes place.

"(B) The term 'commerce' means commerce within the District of Columbia, or any Territory or possession of the United States; all commerce between any point in a State, Territory, possession, or the District of Columbia and any point outside thereof; all commerce between points within the same State through any place outside such State; and all other commerce over which the United States has jurisdiction.

"(4) Whoever knowingly participates in any way in a wrongful use of actual or threatened force, violence, or fear in connection with a loan or forbearance in violation of subsections (1) and (2) of this section, or attempted violation thereof, shall be fined not more than \$10,000 or imprisoned not more than twenty-five years, or both.

"(5) Whoever knowingly possesses, maintains, or exercises control over any paper, writing, instrument, or other thing used to record any loan or forbearance or any part of such transaction in violation of subsections (1) and (2) of this section shall be fined not more than \$5,000 or imprisoned not more than five years, or both.

"(c) The provisions of subsection (b) of this section do not apply to any extension of credit by a creditor which is both—

"(1) licensed or chartered as a banking or lending institution by the United States or any State, and

"(2) regulated and supervised as a banking or lending institution by the United States or any State.

"(d) Whenever in the judgment of a United States attorney the testimony of any witness, or the production of books, papers, or other evidence by any witness, in any case or proceeding before any grand jury or court of the United States involving any

violation of this section, or any conspiracy to violate such section, is necessary to the public interest, such United States attorney, upon the approval of the Attorney General, or his designated representative, shall make application to the court that the witness shall be instructed to testify or produce evidence subject to the provisions of this section, and upon order of the court such witness shall not be excused from testifying or from producing books, papers, or other evidence on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture. But no such witness shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, nor shall testimony so compelled be used as evidence in any criminal proceeding (except prosecution described in the next sentence) against him in any court. No witness shall be exempt under this section from prosecution for perjury or contempt committed while giving testimony or producing evidence under compulsion as provided in this section.

"(e) This Act shall not be construed as indicating an intent on the part of Congress to occupy the field in which this Act operates to the exclusion of a law of any State, territory, Commonwealth, or possession of the United States, and no law of any State, territory, Commonwealth, or possession of the United States, which would be valid in the absence of the Act shall be declared invalid, and no local authorities shall be deprived of any jurisdiction over any offense over which they would have jurisdiction in the absence of this Act."

Mr. GERALD R. FORD (during the reading). Mr. Speaker, a parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state it.

Mr. GERALD R. FORD. Mr. Speaker, is the Clerk reading the Poff amendment?

The SPEAKER pro tempore. The gentleman is correct.

Mr. GERALD R. FORD. Mr. Speaker, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The SPEAKER pro tempore. The question is on the amendment.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. GERALD R. FORD. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make a point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 383, nays 5, not voting 43, as follows:

[Roll No. 12]

YEAS—383

Abbitt	Anderson,	Ashbrook
Abernethy	Tenn.	Ashley
Adair	Andrews, Ala.	Ashmore
Adams	Andrews,	Aspinall
Addabbo	N. Dak.	Ayres
Albert	Annunzio	Baring
Anderson, Ill.	Arends	Barrett

Bates	Fuqua	Mayne
Battin	Galifianakis	Meeds
Belcher	Gallagher	Meskill
Bell	Gardner	Michel
Bennett	Garmatz	Miller, Calif.
Berry	Gathings	Miller, Ohio
Betts	Gettys	Minish
Bevill	Gilbert	Minshall
Biester	Goodell	Mize
Bingham	Goodling	Montgomery
Blackburn	Gray	Moore
Blanton	Green, Oreg.	Moorhead
Blatnik	Green, Pa.	Morgan
Boggs	Griffiths	Morris, N. Mex.
Boland	Gross	Morse, Mass.
Bolling	Grover	Morton
Bolton	Gubser	Mosher
Bow	Gude	Murphy, Ill.
Brademas	Hagan	Murphy, N.Y.
Brasco	Haley	Myers
Bray	Hall	Natcher
Brinkley	Halpern	Nedzi
Brock	Hamilton	Nelsen
Brotzman	Hammer-	Nichols
Brown, Calif.	schmidt	Nix
Brown, Mich.	Hanley	O'Hara, Ill.
Brown, Ohio	Hanna	O'Hara, Mich.
Broyhill, N.C.	Hansen, Idaho	O'Konski
Broyhill, Va.	Hardy	Olsen
Buchanan	Harrison	O'Neal, Ga.
Burke, Fla.	Harsha	O'Neill, Mass.
Burke, Mass.	Harvey	Ottinger
Burton, Calif.	Hathaway	Patman
Burton, Utah	Hawkins	Patten
Bush	Hays	Pelly
Button	Hébert	Pepper
Byrne, Pa.	Hechler, W. Va.	Perkins
Byrnes, Wis.	Heckler, Mass.	Pettis
Cahill	Helstoski	Philbin
Carey	Henderson	Pickle
Carter	Herlong	Pike
Casey	Hicks	Pirnie
Chamberlain	Holifield	Poage
Clancy	Holland	Poff
Cohelan	Horton	Pollock
Collier	Hosmer	Pool
Colmer	Howard	Price, Ill.
Conable	Hull	Price, Tex.
Conte	Hungate	Pucinski
Conyers	Hunt	Purcell
Corman	Hutchinson	Quile
Cowger	Ichord	Quillen
Culver	Irwin	Railsback
Cunningham	Jacobs	Randall
Curtis	Jarman	Rarick
Daddario	Joelson	Rees
Daniels	Johnson, Calif.	Reid, Ill.
Davis, Ga.	Johnson, Pa.	Reid, N.Y.
Davis, Wis.	Jonas	Reifel
de la Garza	Jones, Ala.	Reinecke
Delaney	Jones, Mo.	Resnick
Dellenback	Jones, N.C.	Reuss
Denney	Karh	Rhodes, Pa.
Dent	Kastenmeier	Riegle
Derwinski	Kazen	Rivers
Devine	Kee	Roberts
Dickinson	Keith	Rodino
Diggs	Kelly	Rogers, Colo.
Dingell	King, Calif.	Rogers, Fla.
Dole	King, N.Y.	Ronan
Donohue	Kirwan	Rooney, N.Y.
Dorn	Kleppe	Rooney, Pa.
Dow	Kluczynski	Rostenkowski
Dowdy	Kornegay	Roth
Downing	Kuykendall	Roudebush
Dulski	Kyl	Roush
Duncan	Kyros	Roybal
Dwyer	Landrum	Ruppe
Edmondson	Langen	Ryan
Edwards, Ala.	Latta	St Germain
Edwards, Calif.	Leggett	Sandman
Edwards, La.	Lennon	Satterfield
Ellberg	Lloyd	Saylor
Esch	Long, La.	Schadeberg
Eshleman	Lukens	Scherle
Everett	McCarthy	Schneebeli
Evins, Tenn.	McCloskey	Schwelker
Fallon	McClure	Schwengel
Farbstein	McCulloch	Scott
Fascell	McDade	Selden
Feighan	McDonald,	Shipley
Findley	Mich.	Sikes
Fino	McEwen	Sisk
Fisher	McMillan	Skubitz
Flood	MacGregor	Slack
Flynt	Machen	Smith, Calif.
Foley	Madden	Smith, N.Y.
Ford, Gerald R.	Mahon	Smith, Okla.
Ford,	Mailliard	Snyder
William D.	Marsh	Sprieger
Fraser	Martin	Stafford
Frelinghuysen	Mathias, Calif.	Staggers
Friedel	Mathias, Md.	Stanton
Fulton, Pa.	Matsunaga	Steed
Fulton, Tenn.	May	Steiger, Ariz.

Steiger, Wis.	Utt	Williams, Pa.
Stephens	Van Deerlin	Willis
Stratton	Vander Jagt	Wilson, Bob
Stubblefield	Vanik	Wilson,
Stuckey	Vigorito	Charles H.
Sullivan	Waggonner	Winn
Taylor	Waldie	Woff
Teague, Calif.	Walker	Wright
Teague, Tex.	Wampler	Wyatt
Tenzer	Watkins	Wylder
Thompson, Ga.	Watson	Wylie
Thompson, N.J.	Watts	Wyman
Thomson, Wis.	Whalley	Yates
Tiernan	White	Young
Tuck	Whitener	Zablocki
Tunney	Whitten	Zion
Udall	Widnall	Zwach
Ullman	Wiggins	

NAYS—5

Celler	Evans, Colo.	Scheuer
Eckhardt	Gonzalez	

NOT VOTING—43

Brooks	Gialmo	Mink
Broomfield	Gibbons	Monagan
Burleson	Gurney	Moss
Cabell	Halleck	Passman
Cederberg	Hansen, Wash.	Pryor
Clark	Karsten	Rhodes, Ariz.
Clausen,	Kupferman	Robison
Don H.	Laird	Rosenthal
Clawson, Del	Lipscomb	Rumsfeld
Cleveland	Long, Md.	St. Onge
Corbett	McClory	Shriver
Cramer	McFall	Smith, Iowa
Dawson	Macdonald,	Taft
Erlenborn	Mass.	Talcott
Fountain	Mills	Whalen

So the amendment was agreed to.

The Clerk announced the following pairs:

Mr. Brooks with Mr. Broomfield.
 Mrs. Mink with Mr. Cederberg.
 Mr. Gibbons with Mr. Laird.
 Mr. Monagan with Mr. Rhodes of Arizona.
 Mr. Fountain with Mr. Cramer.
 Mr. Pryor with Mr. Talcott.
 Mr. St. Onge with Mr. Halleck.
 Mr. Moss with Mr. Don H. Clausen.
 Mr. Rosenthal with Mr. Lipscomb.
 Mr. Karsten with Mr. Robison.
 Mr. Passman with Mr. Del Clawson.
 Mr. Gialmo with Mr. Gurney.
 Mr. McFall with Mr. McClory.
 Mr. Burleson with Mr. Cleveland.
 Mr. Clark with Mr. Shriver.
 Mr. Macdonald of Massachusetts with Mr. Taft.
 Mr. Cabell with Mr. Kupferman.
 Mr. Smith of Iowa with Mr. Erlenborn.
 Mrs. Hansen of Washington with Mr. Whalen.
 Mr. Mills with Mr. Long of Maryland.

Mr. BYRNE of Pennsylvania, Mr. EDWARDS of California, Mr. MATSUNAGA, and Mr. EILBERG changed their votes from "nay" to "yea."

The doors were opened.

The result of the vote was announced as above recorded.

The SPEAKER. The Clerk will report the next amendment on which a separate vote has been demanded.

The Clerk read as follows:

On page 40, strike lines 13 through 19 and insert the following:

"SEC. 202. (a) Except as provided in subsection (b) of this section, not more than 10 per centum of the excess over \$30 per week, or its equivalent for any pay period of a different duration, of any wages, salary, or earnings in the form of commission or bonus as compensation for personal services may be attached, garnished, or subjected to any similar legal or equitable process or order. No court of the United States or of any State may make, execute, or enforce any order or process in violation of this section.

"(b) The prohibition contained in subsection (a) of this section does not apply in the case of any debt due—

"(1) under the order of any court for the support of any person; or

"(2) for any State or Federal tax.

"(d) The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this section.

"SEC. 203. (a) No employer may discharge any employee by reason of the fact that, on one occasion, wages or other compensation due the employee for personal services have been subjected to attachment, garnishment, or any similar legal or equitable process.

"(b) The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this section.

"(c) Whoever willfully violates subsection (a) of this section shall be fined not more than \$1,000, or imprisoned not more than one year, or both.

"SEC. 204. This title shall not be construed to annul, alter, or affect, or to exempt any creditor from complying with, the laws of any State relating to the garnishment of wages, salary, or earnings in the form of commission or bonus, as compensation for personal services in connection with credit transactions, where such laws—

"(1) prohibit such garnishments or provide for more limited garnishments than are provided for in section 202(a) of this title, or

"(2) prohibit the discharge of any employee by reason of the fact that, on any occasion, wages or other compensation due the employee for personal services have been subjected to attachment, garnishment, or any similar legal or equitable process."

Mr. PATMAN. (During the reading) Mr. Speaker, I ask unanimous consent that further reading of the amendment be dispensed with and that it be printed in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. WIDNALL. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. WIDNALL. Mr. Speaker, is it not true that a vote "yea" on the proposed amendment would eliminate the committee amendment?

The SPEAKER. A vote "yea" would be a vote to adopt the committee amendment.

Mr. WIDNALL. That is true. If the amendment offered by the gentleman from Louisiana [Mr. WAGGONNER] is adopted, then the bill would go back to the original language as reported by the Committee, reinstating section 202 (a) and (b)?

The SPEAKER. In response to the parliamentary inquiry, the Chair will state that if the committee amendment is defeated the language would go back to that in the original bill.

Mr. WIDNALL. The gentleman is moving to strike the committee amendment, I believe.

Mr. ALBERT. Mr. Speaker, if the gentleman will yield, there has not been an offering of an amendment. There has been a request for a separate vote on the committee amendment. The inquiry should relate to what the effect of the separate vote would be.

Mr. WAGGONNER. Mr. Speaker, I ask unanimous consent to withdraw the request for a separate vote.

The SPEAKER. The RECORD will note the request, but the vote still will be on the committee amendment.

The question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT

Mr. McCLURE. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. McCLURE. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. McCLURE moves to recommit the bill H.R. 11601 to the Committee on Banking and Currency.

The SPEAKER. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER. The question is on the motion to recommit.

The motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

Mr. WIDNALL. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 382, nays 4, voting 45, as follows:

[Roll No. 13]

YEAS—382

Abbt	Button	Farbstein
Adair	Byrne, Pa.	Fascell
Adams	Byrnes, Wis.	Feighan
Addabbo	Cabill	Findley
Albert	Carey	Fino
Anderson, Ill.	Carter	Fisher
Anderson,	Casey	Flood
Tenn.	Celler	Flynt
Andrews, Ala.	Chamberlain	Foley
Andrews,	Clancy	Ford, Gerald R.
N. Dak.	Cohelan	Ford,
Annunzio	Collier	William D.
Arends	Colmer	Fraser
Ashbrook	Conable	Frelinghuysen
Ashley	Conte	Friedel
Ashmore	Conyers	Fulton, Pa.
Aspinall	Corman	Fulton, Tenn.
Ayres	Cowger	Fuqua
Baring	Culver	Galifianakis
Barrett	Cunningham	Gallagher
Bates	Curtis	Gardner
Battin	Daddario	Garmatz
Belcher	Daniels	Gathings
Bell	Davis, Ga.	Gettys
Bennett	Davis, Wis.	Gilbert
Berry	de la Garza	Gonzalez
Betts	Delaney	Goodell
Bevill	Dellenback	Goodling
Bieber	Denney	Gray
Bingham	Dent	Green, Oreg.
Blackburn	Derwinski	Green, Pa.
Blanton	Devine	Griffiths
Blatnik	Dickinson	Gross
Boggs	Diggs	Grover
Boland	Dingell	Gubser
Bolling	Dole	Gude
Bolton	Donohue	Hagan
Bow	Dorn	Haley
Brademas	Dow	Hall
Brasco	Dowdy	Halpern
Bray	Downing	Hamilton
Brinkley	Dulski	Hammer
Brock	Duncan	schmidt
Brooks	Dwyer	Hanley
Brotzman	Eckhardt	Hanna
Brown, Calif.	Edmondson	Hansen, Idaho
Brown, Mich.	Edwards, Ala.	Hardy
Brown, Ohio	Edwards, Calif.	Harrison
Broyhill, N.C.	Edwards, La.	Harsha
Broyhill, Va.	Eilberg	Harvey
Buchanan	Esch	Hathaway
Burke, Fla.	Ehlerman	Hawkins
Burke, Mass.	Evans, Colo.	Hays
Burton, Calif.	Everett	Hébert
Burton, Utah	Evins, Tenn.	Hechler, W. Va.
Bush	Fallon	Heckler, Mass.

Helstoski	Moore	Schadeberg
Henderson	Moorhead	Scherle
Herlong	Morgan	Scheuer
Hicks	Morris, N. Mex.	Schneebell
Holifield	Morse, Mass.	Schweiker
Horton	Morton	Schwengel
Hosmer	Mosher	Scott
Howard	Murphy, Ill.	Selden
Hull	Murphy, N.Y.	Shipley
Hungate	Myers	Sikes
Hunt	Natcher	Sisk
Hutchinson	Nedzi	Skubitz
Ichord	Nelsen	Slack
Irwin	Nichols	Smith, Calif.
Jacobs	Nix	Smith, N.Y.
Jarman	O'Hara, Ill.	Smith, Okla.
Joelson	O'Hara, Mich.	Snyder
Johnson, Calif.	O'Konski	Springer
Johnson, Pa.	Olsen	Stafford
Jonas	O'Neal, Ga.	Staggers
Jones, Ala.	O'Neill, Mass.	Stanton
Jones, Mo.	Ottinger	Steed
Jones, N.C.	Patman	Steiger, Ariz.
Karsh	Patten	Steiger, Wis.
Kastenmeier	Pelly	Stratton
Kazen	Pepper	Stubblefield
Kee	Perkins	Stuckey
Keith	Pettis	Sullivan
Kelly	Philbin	Taylor
King, N.Y.	Pickle	Teague, Calif.
Kirwan	Pike	Teague, Tex.
Kleppe	Pirnie	Tenzer
Kluczynski	Poage	Thompson, Ga.
Kornegay	Poff	Thompson, N.J.
Kuykendall	Pollock	Thomson, Wis.
Kyl	Pool	Tiernan
Kyros	Price, Ill.	Tuck
Landrum	Price, Tex.	Tunney
Langen	Pucinski	Udall
Latta	Purcell	Ullman
Leggett	Quile	Utt
Lennon	Quillen	Van Deerlin
Lloyd	Railsback	Vander Jagt
Long, La.	Randall	Vanik
Lukens	Rarick	Vigorito
McCarthy	Rees	Waggonner
McCloskey	Reid, Ill.	Waldie
McCulloch	Reid, N.Y.	Walker
McDade	Reifel	Wampler
McDonald, Mich.	Reinecke	Watkins
McEwen	Resnick	Watson
McMillan	Reuss	Watts
MacGregor	Rhodes, Pa.	Whalley
Machen	Riegle	White
Madden	Rivers	Whitener
Mahon	Roberts	Whitten
Mailliard	Rodino	Widnall
Marsh	Rogers, Colo.	Wiggins
Martin	Rogers, Fla.	Williams, Pa.
Mathias, Calif.	Ronan	Willis
Mathias, Md.	Rooney, N.Y.	Wilson, Bob
Matsunaga	Rooney, Pa.	Winn
May	Rostenkowski	Wolf
Mayne	Roth	Wright
Meeds	Roudebush	Wyatt
Meskill	Roush	Wyder
Michel	Roybal	Wylie
Miller, Calif.	Ruppe	Wyman
Miller, Ohio	Ryan	Yates
Minish	St Germain	Young
Minshall	Sandman	Zablocki
Mize	Satterfield	Zion
	Saylor	Zwach

NAYS—4

Abernethy	Montgomery	Stephens
McClure		

NOT VOTING—45

Broomfield	Gurney	Monagan
Burleson	Halleck	Moss
Cabell	Hansen, Wash.	Passman
Cederberg	Holland	Pryor
Clark	Karsten	Rhodes, Ariz.
Clausen, Don H.	King, Calif.	Robison
Clawson, Del	Kupferman	Rosenthal
Cleveland	Laird	Rumsfeld
Corbett	Lipscomb	St. Onge
Cramer	Long, Md.	Shriver
Dawson	McClory	Smith, Iowa
Erlenborn	McFall	Taft
Fountain	Macdonald,	Talcott
Gialmo	Mass.	Whalen
Gibbons	Mills	Wilson
	Mink	Charles H.

So the bill was passed.

The Clerk announced the following pairs:

Mr. Mills with Mr. Broomfield.
Mrs. Mink with Mr. Cederberg.
Mr. Gibbons with Mr. Laird.
Mr. Monagan with Mr. Rhodes of Arizona.
Mr. Fountain with Mr. Cramer.

Mr. Pryor with Mr. Talcott.
Mr. St. Onge with Mr. Halleck.
Mr. Moss with Mr. Don H. Clausen.
Mr. Rosenthal with Mr. Lipscomb.
Mr. Karsten with Mr. Robison.
Mr. Passman with Mr. Del Clawson.
Mr. Gialmo with Mr. Gurney.
Mr. McFall with Mr. McClory.
Mr. King of California with Mr. Cleveland.
Mr. Clark with Mr. Shriver.
Mr. Macdonald of Massachusetts with Mr. Taft.
Mr. Long of Maryland with Mr. Kupferman.
Mr. Smith of Iowa with Mr. Erlenborn.
Mrs. Hansen of Washington with Mr. Whalen.
Mr. Charles H. Wilson with Mr. Corbett.

Mr. McMILLAN changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

The SPEAKER pro tempore (Mr. PRICE of Illinois). Pursuant to House Resolution 1043, the Committee on Banking and Currency is discharged from the further consideration of the bill (S. 5).

MOTION OFFERED BY MR. PATMAN

Mr. PATMAN. Mr. Speaker, I offer a motion.

The CLERK. The motion offered by Mr. PATMAN is to strike out all after the enacting clause of S. 5 and insert the provisions of the bill, H.R. 11601, as passed, as follows:

SECTION 1. This Act may be cited as the "Consumer Credit Protection Act".

TITLE I—CREDIT TRANSACTIONS

SEC. 101. (a) The Federal Reserve Act is amended by striking the first sentence and inserting:

"TITLE I—THE FEDERAL RESERVE SYSTEM

"SECTION 1. SHORT TITLE AND DEFINITIONS

"This title may be cited as the Federal Reserve Act."

(b) Title I of the Federal Reserve Act is amended by changing "Act", wherever that word is used with reference to title I of the Federal Reserve Act (as so designated by subsection (a) of this section) to read "title".

(c) The Federal Reserve Act is amended by adding at the end:

"TITLE II—CREDIT TRANSACTIONS

"DECLARATION OF PURPOSE

"SEC. 201. The Congress finds that economic stabilization would be enhanced and that competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. The informed use of credit results from an awareness of the cost thereof by consumers. It is the purpose of this title to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit.

"DEFINITIONS

"SEC. 202. For the purposes of this title, "(a) 'Board' means the Board of Governors of the Federal Reserve System.

"(b) 'credit' means the right granted by a creditor to a person other than an organization to defer payment of debt or to incur debt and defer its payment, where the debt is contracted by the obligor primarily for personal, family, household, or agricultural purposes. The term does not include any contract in the form of a bailment or lease except to the extent specifically included within the term 'consumer credit sale'.

"(c) 'consumer credit sale' means a transaction in which credit is granted by a seller in connection with the sale of goods or services, if such seller regularly engages in credit transactions as a seller, and such goods or services are purchased primarily for a personal, family, household, or agricultural purpose. The term does not include any contract in the form of a bailment or lease unless the obligor contracts to pay as compensation for use a sum substantially equivalent to or in excess of the value of the goods or services involved, and unless it is agreed that the obligor is bound to become, or for no other or a merely nominal consideration has the option of becoming, the owner of the goods upon full compliance with the provisions of the contract.

"(d) 'finance charge' means the sum of all the mandatory charges imposed directly or indirectly by a creditor, and payable directly or indirectly by an obligor, as an incident to the extension of credit, including loan fees, service and carrying charges, discounts, interest, time price differentials, investigators' fees, costs of any guarantee or insurance protecting the creditor against the obligor's default or other credit loss, and any amount payable under a point, discount, or other system of additional charges, except that

"(1) if itemized and disclosed under section 203, the term 'finance charge' does not include amounts collected by a creditor, or included in the credit, for

"(A) fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to a credit transaction, or the premium, not in excess of those fees and charges, payable for any insurance in lieu of perfecting the security; or

"(B) taxes; and

"(2) where credit is secured in whole or in part by an interest in real property, the term does not include, in addition to the duly itemized and disclosed costs referred to in clauses (A) and (B) of paragraph (1), the costs of

"(A) title examination, title insurance, or corresponding procedures;

"(B) preparation of the deed, settlement statement, or other documents;

"(C) escrows for future payments of taxes and insurance;

"(D) notarizing the deed and other documents;

"(E) appraisal fees; or

"(F) credit reports.

"(e) 'creditor' means any individual, or any partnership, corporation, association, cooperative, or other entity, including the United States or any agency or instrumentality thereof, or any other government or political subdivision or agency or instrumentality thereof, if such individual or entity regularly engages in credit transactions, whether in connection with the sale of goods and services or otherwise, and extends, or arranges for the extension of, credit for which the payment of a finance charge is required.

"(f) (1) 'annual percentage rate' means, for the purposes of sections 203(b), 203(c), and 203(d), the nominal annual rate determined by the actuarial method (United States rule).

"(2) The Board may prescribe methods other than the actuarial method, if the Board determines that the use of such other methods will materially simplify computation while retaining reasonable accuracy as compared with the rate determined under the actuarial method.

"(3) For the purposes of section 203(d), the term 'equivalent annual percentage rate' means the rate or rates computed by multiplying the rate or rates used to compute the finance charge for any period by the number of periods in a year.

"(4) Where a creditor imposes the same finance charge for all balances within a spe-

cified range, the annual percentage rate or equivalent annual percentage rate shall be computed on the median balance within the range for the purposes of sections 203(b), 203(c), and 203(d).

"(g) 'open end credit plan' means a plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

"(h) 'installment open end credit plan' means an open end credit plan which has one or more of the following characteristics: (1) creates a security interest in, or provides for a lien on, or retention of title to, any property (whether real or personal, tangible or intangible), (2) provides for a repayment schedule pursuant to which less than 60 per centum of the unpaid balance at any time outstanding under the plan is required to be paid within twelve months, or (3) provides that amounts in excess of required payments under the repayment schedule are applied to future payments in the order of their respective due dates.

"(i) 'organization' means a corporation, government or governmental subdivision or agency, business or other trust, estate, partnership, or association.

"(j) 'State' means any State, the Commonwealth of Puerto Rico, or the District of Columbia.

"DISCLOSURE OF FINANCE CHARGES; ADVERTISING

"SEC. 203. (a) Each creditor shall furnish to each person to whom credit is extended and upon whom a finance charge is or may be imposed the information required by this section, in accordance with regulations prescribed by the Board.

"(b) This subsection applies to consumer credit sales other than sales under an open end credit plan. For each such sale the creditor shall disclose, to the extent applicable,

"(1) the cash price of the property or service purchased;

"(2) the sum of any amounts credited as downpayment (including any trade-in);

"(3) the difference between the amounts set forth in paragraphs (1) and (2);

"(4) all other charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge;

"(5) the total amount to be financed (the sum of the amounts disclosed under (3) and (4) above);

"(6) the amount of the finance charge (such charge, or a portion of such charge, may be designated as a time-price differential or as a similar term to the extent applicable);

"(7) the finance charge expressed as an annual percentage rate;

"(8) the number, amount, and due dates or periods of payments scheduled to repay the indebtedness;

"(9) the default, delinquency, or similar charges payable in the event of late payments; and

"(10) a description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

Except as otherwise hereinafter provided, the disclosure required by this subsection shall be made before the credit is extended. Compliance may be attained by disclosing such information in the contract or other evidence of indebtedness to be signed by the obligor. Where a seller receives a purchase order by mail or telephone without personal solicitation by a representative of the seller and the cash price and deferred payment price and the terms of financing, including the annual percentage rate, are set forth in the seller's catalog or other printed material distributed to the public, the disclosure shall be made on or before the date the first payment is due. Where a creditor mails or other-

wise transmits monthly or other periodic bills or statements in connection with any sale to which this subsection is applicable, each such bill or statement shall set forth, to the extent applicable, the items described in subsection (d) (3) of this section, except that if the credit is extended for a period of five years or more, the items described in subsection (d) (3) need not be set forth more than once in each calendar year. If a credit sale is one of a series of credit sale transactions made pursuant to an agreement providing for the addition of the deferred payment price of that sale to an existing outstanding balance, and the person to whom the credit is extended has approved in writing both the annual percentage rate or rates and the method of computing the finance charge or charges, and the creditor retains no security interest in any goods sold as to which he has received payments aggregating the amount of the sales price including any finance charges attributable thereto, then the disclosure required by this subsection for the particular sale shall be made on or before the date the first payment for that sale is due.

"(c) This subsection applies to extensions of credit other than consumer credit sales or transactions under an open end credit plan. Any creditor making a loan or otherwise extending credit under this subsection shall disclose, to the extent applicable:

"(1) the amount of credit of which the obligor will have the actual use, or which is or will be paid to him or for his account or to another person on his behalf;

"(2) all charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge;

"(3) the total amount to be financed (the sum of items (1) and (2) above);

"(4) the amount of the finance charge;

"(5) the finance charge expressed as an annual percentage rate;

"(6) the number, amount, and due dates or periods of payments scheduled to repay the indebtedness;

"(7) the default, delinquency, or similar charges payable in the event of late payments; and

"(8) a description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

Except as otherwise hereinafter provided, the disclosure required by this subsection shall be made before the credit is extended. Compliance may be attained by disclosing such information in the note or other evidence of indebtedness to be signed by the obligor. Where a creditor receives a request for an extension of credit by mail or telephone without personal solicitation by a representative of the creditor and the terms of financing, including the annual percentage rate for representative amounts of credit, are set forth in the creditor's printed material distributed to the public, or in the contract of loan or other printed material delivered to the obligor, the disclosure shall be made on or before the date the first payment is due. Where a creditor mails or otherwise transmits monthly or other periodic bills or statements in connection with any extension of credit to which this subsection is applicable, each such bill or statement shall set forth, to the extent applicable, the items described in subsection (d) (3) of this section, except that if such credit is extended for a period of five years or more, the items described in subsection (d) (3) need not be set forth more than once in each calendar year.

"(d) (1) This subsection applies to open end credit plans.

"(2) Before opening any account under an open end credit plan, the creditor shall, to the extent applicable, disclose to the person to whom credit is to be extended—

"(A) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;

"(B) the method of determining the balance upon which a finance charge will be imposed;

"(C) the method of determining the amount of the finance charge (including any minimum or fixed amount imposed as a finance charge), the annual percentage rate of the finance charge to be imposed, if any, and, in the case of an installment open end credit plan, the equivalent annual percentage rate;

"(D) the conditions under which any other charges may be imposed, and the method by which they will be determined; and

"(E) the conditions under which the creditor may retain or acquire any security interest in any property to secure the payment of any credit extended under the plan, and a description of the interest or interests which may be so retained or acquired.

"(3) For each billing cycle at the end of which there is an outstanding balance under any such account, the creditor shall disclose, to the extent applicable,

"(A) the outstanding balance in the account at the beginning of the billing period;

"(B) the amount and date of each extension of credit during the period and, if a purchase was involved, a brief identification (unless previously furnished) of the goods or services purchased;

"(C) the total amount credited to the account during the period;

"(D) the amount of any finance charge added to the account during the period, itemized to show the amount, if any, due to the application of a percentage rate and the amount, if any, imposed as a minimum or fixed charge;

"(E) the finance charge expressed as an annual percentage rate;

"(F) the balance on which the finance charge was computed and a statement of how the balance was determined. If such a balance is determined without first deducting all payments during the period, that fact and the amount of such payments shall also be disclosed;

"(G) the outstanding balance in the account at the end of the period; and

"(H) the date by which, or the period (if any) within which, payment must be made to avoid additional finance charges.

"(4) If a creditor adds to this billing under an open end credit plan one or more installments of other indebtedness from the same obligor, the creditor is not required to disclose under this subsection any information which has been disclosed previously in compliance with subsection (b) or (c).

"(5) Any creditor under an open end credit transaction shall furnish any party to the transaction with a written estimate of the approximate annual percentage rate of the finance charge on the transaction determined in accordance with regulations issued by the Board, if the party making the request specifies or identifies the repayments schedule involved and such other essential credit terms as may be prescribed in the regulations issued by the Board.

"(e) In the case of any extension of credit in connection with which a security interest is to be retained or acquired in any property which is used or is expected to be used as a residence by the person to whom credit is extended, the disclosures required under this title shall be made at least three days before the transaction is consummated or before any agreement to consummate the transaction is entered into by the party to whom the credit is extended, whichever is earlier. The Board may, if it finds that such action is necessary in order to permit homeowners to meet bona fide personal financial emergencies, prescribe regulations authoriz-

ing the modification or waiver of this requirement to the extent and under the circumstances set forth in such regulations.

Notwithstanding any other provision of this Act, written acknowledgement of receipt by a person to whom a statement is required to be given pursuant to this paragraph shall provide only a rebuttable presumption of proof of delivery thereof.

"(e) Written acknowledgment of receipt by a person to whom a statement is required to be given pursuant to this section shall be conclusive proof of the delivery thereof and, unless the violation is apparent on the face of the statement, of compliance with this section in any action or proceeding by or against an assignee of the original creditor without knowledge to the contrary by such assignee when he acquires the obligation, unless the assignee, its subsidiaries, or affiliates, are in a continuing business relationship with the original creditor. Such acknowledgment shall not affect the rights of the obligor in any action against the original creditor.

"(f) If there is more than one obligor, a creditor may furnish a statement of required information to only one of them. Required information need not be given in the sequence or order set forth in this section. Additional information or explanations may be included. So long as it conveys substantially the same meaning, a creditor may use language or terminology in any required statement different from that prescribed by this title.

"(g) If applicable State law requires disclosure of items of information substantially similar to those required by this title, then a creditor who complies with such State law may comply with this title by disclosing only the additional items of information required by this title.

"(h) If information disclosed in accordance with this section and any regulations prescribed by the Board is subsequently rendered inaccurate as the result of a prepayment, late payment, adjustment, or amendment of the credit agreement through mutual consent of the parties or as permitted by law, or as the result of any act or occurrence subsequent to the delivery of the required disclosures, the inaccuracy resulting therefrom shall not constitute a violation of this section.

"(1) If a creditor, in order to aid, promote, or assist directly or indirectly, any consumer credit sale, loan, or other extension of credit subject to the provisions of this section, other than an open end credit plan, states or otherwise represents in any advertisement

"(1) the rate of the finance charge, the advertisement shall state the rate of the finance charge expressed as an annual percentage rate; or

"(2) the amount of an installment payment or the dollar amount of finance charge, the advertisement shall state:

"(A) the cash price or the amount of the loan, as applicable;

"(B) the downpayment, if any;

"(C) the number, amount, and due dates or period of payments scheduled to repay the indebtedness if such credit were extended; and

"(D) the rate of the finance charge expressed as an annual percentage rate.

The provisions of this subsection shall not apply to advertisements of residential real estate except to the extent that the Board may by regulation require.

"(j) No creditor, in order to aid, promote, or assist, directly or indirectly, the extension of credit under an open end credit plan may state or otherwise represent in any advertisement any of the specific terms of that plan unless the advertisement clearly and conspicuously sets forth

"(1) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit ex-

tended may be repaid without incurring a finance charge;

"(2) the method of determining the balance upon which a finance charge will be imposed;

"(3) the method of determining the amount of the finance charge (including any minimum or fixed amount imposed as a finance charge), and the annual percentage rate; and

"(4) the conditions under which any other charges may be imposed, and the method by which they will be determined.

"(k) No creditor may state or otherwise represent in any advertisement

"(1) that a specified periodic credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payments or installments for that period and in that amount; or

"(2) that a specified downpayment is required, unless the creditor usually and customarily arranges downpayments in that amount.

"(l) For the purposes of subsections (1), (j), and (k), a catalog or other multiple-page advertisement shall be considered a single advertisement if the catalog or other multiple-page advertisement clearly and conspicuously displays a credit terms table on which the information required to be stated by subsections (1), (j), and (k) is clearly set forth.

"(m) The prohibitions and requirements of subsections (1), (j), (k), and (l) of this section shall apply only to a creditor or his agent directly or indirectly causing the publication or dissemination of an advertisement and not to the owner, employees, or distributors of the medium in which the advertisement appears or through which it is disseminated.

"(n) The provisions of this section shall not apply to

"(1) credit transactions involving extensions of credit for business or commercial purposes, or to governments or governmental agencies or instrumentalities, or to organizations;

"(2) transactions in securities or commodities in accounts by a broker-dealer registered with the Securities and Exchange Commission; or

"(3) credit transactions, other than real property transactions, in which the total amount to be financed exceeds \$25,000.

"REGULATIONS

"SEC. 204. (a) The Board shall prescribe regulations to carry out section 203, including provisions:

"(1) describing the methods which may be used in determining annual percentage rates under section 203, including, but not limited to, the use of any rules, charts, tables, or devices by creditors to convert to an annual percentage rate any add-on, discount, or other method of computing a finance charge;

"(2) prescribing procedures to insure that the information required to be disclosed under section 203 is set forth clearly and conspicuously; and

"(3) prescribing reasonable tolerances of accuracy with respect to disclosing information under section 203.

"(b) In prescribing regulations with respect to reasonable tolerances of accuracy as required by subsection (a)(3), the Board shall observe the following limitations:

"(1) The annual percentage rate may be rounded to the nearest quarter of 1 per centum for credit transactions payable in substantially equal installments when a creditor determines the total finance charge on the basis of a single add-on, discount, periodic, or other rate, and such rates are converted into an annual percentage rate under procedures prescribed by the Board.

"(2) The use of rate tables or charts may be authorized in cases where the total fi-

nance charge is determined in a manner other than that specified in paragraph (1). Such tables or charts may provide for the disclosure of annual percentage rates which vary up to 8 per centum of the rate as defined by section 202(f). However, any creditor who willfully and knowingly uses such tables or charts in such a manner so as to consistently understate the annual percentage rate, as defined by section 202(f), shall be liable for criminal penalties under section 206(b) of this title.

"(3) In the case of creditors determining the annual percentage rate in a manner other than as described in paragraph (1) or (2), the Board may authorize other reasonable tolerances.

"(4) In order to simplify compliance where irregular payments are involved, the Board may authorize tolerances greater than those specified in paragraph (2).

"(c) Any regulation prescribed under this section may contain such classifications and differentiations and may provide for such adjustments and exceptions for any class of transactions as in the judgment of the Board are necessary or proper to effectuate the purposes of section 203 or to prevent circumvention or evasion of, or to facilitate compliance by creditors with, section 203 or any regulation issued under this section. In prescribing exceptions, the Board may consider, among other things, whether any class of transactions is subject to any State law or regulation which requires disclosures substantially similar to those required by section 203.

"(d) In the exercise of its powers under this title, the Board may request the views of other Federal agencies which in its judgment exercise regulatory functions with respect to any class of creditors, and such agencies shall furnish such views upon request of the Board.

"(e) The Board shall establish an advisory committee, to advise and consult with it in the exercise of its functions with respect to section 203 and this section. In appointing the members of the committee, the Board shall seek to achieve a fair representation of the interests of sellers of merchandise on credit, lenders, and the public. The committee shall meet from time to time at the call of the Board, and members thereof shall be paid transportation expenses and not to exceed \$100 per diem.

"EFFECT ON STATE LAWS

"SEC. 205. (a) This title shall not be construed to annul, alter or affect, or to exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that such laws are inconsistent with the provisions of this title, or regulations issued thereunder, and then only to the extent of the inconsistency. This title shall not otherwise be construed to annul, alter or affect in any manner, the meaning, scope or applicability of the laws of any State, including, but not limited to, laws relating to the types, amounts or rates of charges, or any element or elements of charges, permissible under such laws in connection with the extension or use of credit, nor to extend the applicability of such laws to any class of persons or transactions to which such laws would not otherwise apply, nor shall the disclosure of the annual percentage rate in connection with any consumer credit sale as required by this title be evidence in any action or proceeding that such sale was a loan or any transaction other than a credit sale.

"(b) The Board shall by regulation exempt from the requirements of section 203 any class of credit transactions which it determines are subject to State law or regulation substantially similar to the requirements under that section, with adequate provision for enforcement.

"(c) Except as specified in section 206, section 203 and the regulations issued there-

under do not affect the validity or enforceability of any contract or obligation under State or Federal law.

"CIVIL AND CRIMINAL PENALTIES"

"Sec. 206. (a) (1) Any creditor who, in connection with any credit transaction, knowingly fails in violation of section 203 (except sections 203(i), 203(j), and 203(k)), or any regulation issued thereunder, to disclose any information to any person to whom such information is required to be given shall be liable to such person in the amount of \$100, or in any amount equal to twice the finance charge required by such creditor in connection with such transaction, whichever is the greater, except that such liability shall not exceed \$1,000 on any credit transaction. Any action which may be brought under this subsection against the original creditor in any credit transaction involving a security interest in real property may be maintained against any assignee of the original creditor where such assignee, its subsidiaries, or affiliates were in a continuing business relationship with the original creditor either at the time the credit was extended or at the time of the assignment, unless the assignment was involuntary, or the assignee shows by a preponderance of evidence that it had no knowledge of any reasonable likelihood of violation by the original creditor and that it maintained procedures reasonably adapted to apprise it of the existence of any such violations.

"(2) In any action brought under this subsection in which it is shown that the creditor disclosed a percentage rate or amount less than that required to be disclosed by section 203 or regulations prescribed by the Board (after taking into account permissible tolerances), or failed to disclose information so required, there shall be a rebuttable presumption that such violation was made knowingly. The presumption is rebutted if the creditor shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error. A creditor has no liability under this subsection if within fifteen days after discovering the error, and prior to the institution of an action hereunder or the receipt of written notice of the error, the creditor notifies the person concerned of the error and makes whatever adjustments in the appropriate account as are necessary to insure that the person will not be required to pay a finance charge in excess of the amount or percentage rate so disclosed.

"(3) Any action under this subsection may be brought in any United States district court, or in any other court of competent jurisdiction, within one year from the date of the occurrence of the violation. In any such action in which a person is entitled to recover a penalty as prescribed in paragraph (1), the defendant is also liable for reasonable attorneys' fees and court costs as determined by the court.

"(b) Any person who knowingly and willfully gives false or inaccurate information or fails to provide information required to be disclosed under the provisions of this title or any regulation issued thereunder, or who otherwise knowingly and willfully violates any provision of this title or any regulation issued thereunder, shall be fined not more than \$5,000 or imprisoned not more than one year, or both. The Attorney General shall enforce this subsection.

"(c) No punishment or penalty provided for a violation of section 203 or any regulation issued under section 204 applies to the United States, or any agency thereof, or to any State, any political subdivision thereof, or any agency of any State or political subdivision.

"(d) No person is subject to punishment or penalty under this section solely as the result of the disclosure of a finance charge

or percentage which is greater than the amount of such charge or percentage required to be disclosed by such person under section 203, or regulations prescribed by the Board.

"ADMINISTRATIVE ENFORCEMENT"

"Sec. 207. All of the functions and powers of the Federal Trade Commission are applicable to the administration and enforcement of this title to the same extent as if this title were a part of the Federal Trade Commission Act, and any person violating or threatening to violate any provision of this title or any regulation in implementation of this title is subject to the penalties and entitled to the provisions and immunities provided in the Federal Trade Commission Act, except as follows:

"(1) The exceptions stated in section 5(a)(6) of the Federal Trade Commission Act (15 U.S.C. 45(a)(6)) are not, as such, applicable to this title.

"(2) No bank or thrift institution is subject to the jurisdiction of the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title if the bank or institution is subject to section 5(d) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(d)), section 407 of the National Housing Act (12 U.S.C. 1730), or section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818). The Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation) shall enforce this title and regulations in implementation thereof with respect to banks and other institutions under their respective jurisdictions.

"(3) No common carrier subject to the acts to regulate commerce is subject to the jurisdiction of the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title. The Interstate Commerce Commission shall enforce this title and regulations in implementation thereof with respect to such carriers.

"(4) No air carrier or foreign air carrier subject to the Federal Aviation Act of 1958 is subject to the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title. The Civil Aeronautics Board or the Federal Aviation Administration, as may be appropriate, shall enforce this title and regulations in implementation thereof with respect to any such carrier.

"(5) Except as provided in section 406 of the Act of August 15, 1921 (7 U.S.C. 227)—

"(A) no person, partnership, or corporation subject to the Packers and Stockyards Act, 1921, is subject to the jurisdiction of the Federal Trade Commission or to the provisions of that Act with respect to this title, and

"(B) the Secretary of Agriculture shall enforce this title and regulations in implementation thereof with respect to persons, partnerships, and corporations subject to the Packers and Stockyards Act, 1921.

"REPORTS"

"Sec. 208. Not later than January 3 of each year commencing after the effective date of this title, the Board of Governors of the Federal Reserve System and the Attorney General shall, respectively, make reports to the Congress concerning the administration of their functions under this title, including such recommendations as the Board and the Attorney General, respectively, deem necessary or appropriate. In addition, reports of the Board of Governors of the Federal Reserve System shall include the Board's assessment of the extent to which compliance with the provisions of this title, and regulations prescribed thereunder, is being achieved.

"EFFECTIVE DATE"

"Sec. 209. The provisions of this title shall take effect on the first day of the ninth calendar month which begins after the date of enactment of this title, except that section 204 shall take effect immediately."

Sec. 102(a). The Congress makes the following findings:

(1) Organized crime is interstate and international in character.

(2) Organized crime is engaged directly in interstate and foreign commerce, as well as intrastate commerce, in loaning money and other valuable things at excessive rates of interest, often in conjunction with the use of force, violence, and fear. This so-called loan sharking business or organized criminals and other criminals involves billions of dollars each year.

(3) The stability of the Nation's economy is affected by loan sharking activities.

(4) The use of legitimate credit channels would be enhanced by the prevention of loan sharking activities.

(5) The production and flow of goods in the Nation's economy is hindered by the diversion of money into excessive and confiscatory credit payments.

(6) Federal programs designed to aid the poor in the United States are rendered less effective by loan sharking activities.

(7) The diversion of money and assets into organized crime nullifies the purposes and benefits of a free enterprise economy and hinders the operations of Federal statutes and regulations designed to preserve that economy.

(8) In order to protect commerce, benefit the national economy and assure the full effects of Federal programs designed to aid the poor and maintain a free enterprise system, it is the purpose of this Act to prohibit loans at excessive and prohibitive rates of interest.

(9) Loan sharking activities directly impair the effectiveness and frustrate the purposes of the laws enacted by the Congress on the subject of bankruptcies.

(10) Loan sharking activities impair the stability of the national economy and thereby interfere with the regulation of the value of money.

(b) (1) Whoever in any way or degree obstructs, delays, or affects commerce or the movement of any article or commodity in commerce by loan sharking or attempts so to do shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

(2) (A) Whoever travels in interstate or foreign commerce or uses any facility in interstate or foreign commerce, including the mail, with the intent to promote, manage, establish, carry on, or facilitate the promotion, management, establishment, or carrying on, of loan sharking, and (B) thereafter performs or attempts to perform any act described in the preceding clause, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

(3) As used in this section—

(A) the term "loan sharking" means the lending of money at a rate of interest prohibited by the statutes of the State where the loan transaction takes place.

(B) The term "commerce" means commerce within the District of Columbia, or any Territory or possession of the United States; all commerce between any point in a State, Territory, possession, or the District of Columbia and any point outside thereof; all commerce between points within the same State through any place outside such State; and all other commerce over which the United States has jurisdiction.

(4) Whoever knowingly participates in any way in a wrongful use of actual or threatened force, violence, or fear in connection with a loan or forbearance in violation of subsections (1) and (2) of this section, or attempted violation thereof, shall be fined not more than \$10,000 or imprisoned not more than twenty-five years, or both.

(5) Whoever knowingly possesses, maintains, or exercises control over any paper, writing, instrument, or other thing used to record any loan or forbearance or any part of such transaction in violation of subsections (1) and (2) of this section shall be fined not more than \$5,000 or imprisoned not more than five years, or both.

(C) The provisions of subsection (b) of this section do not apply to any extension of credit by a creditor which is both—

(1) licensed or chartered as a banking or lending institution by the United States or any State, and

(2) regulated and supervised as a banking or lending institution by the United States or any State.

(d) Whenever in the judgment of a United States attorney the testimony of any witness, or the production of books, papers, or other evidence by any witness, in any case or proceeding before any grand jury or court of the United States involving any violation of this Section, or any conspiracy to violate such Section, is necessary to the public interest, such United States attorney, upon the approval of the Attorney General, or his designated representative, shall make application to the court that the witness shall be instructed to testify or produce evidence subject to the provisions of this section, and upon order of the court such witness shall not be excused from testifying or from producing books, papers, or other evidence on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture. But no such witness shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, nor shall testimony so compelled be used as evidence in any criminal proceeding (except prosecution described in the next sentence) against him in any court. No witness shall be exempt under this section from prosecution for perjury or contempt committed while giving testimony or producing evidence under compulsion as provided in this section.

(e) This Act shall not be construed as indicating an intent on the part of Congress to occupy the field in which this Act operates to the exclusion of a law of any State, territory, Commonwealth, or possession of the United States, and no law of any State, territory, Commonwealth, or possession of the United States, which would be valid in the absence of the Act shall be declared invalid, and no local authorities shall be deprived of any jurisdiction over any offense over which they would have jurisdiction in the absence of this Act.

TITLE II—RESTRICTION OF GARNISHMENT OF WAGES

SEC. 201. The Congress finds that garnishment of wages is frequently an essential element in predatory extensions of credit and that the resulting disruption of employment, production, and consumption constitutes a substantial burden upon interstate commerce.

SEC. 202. (a) Except as provided in subsection (b) of this section, not more than 10 per centum of the excess over \$30 per week, or its equivalent for any pay period of a different duration, of any wages, salary, or earnings in the form of commission or bonus as compensation for personal services may be attached, garnished, or subjected to any similar legal or equitable process or order. No court of the United States or of any State may make, execute, or enforce any order or process in violation of this section.

(b) The prohibition contained in subsection (a) of this section does not apply in the case of any debt due—

(1) under the order of any court for the support of any person; or

(2) for any State or Federal tax.

(c) The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this section.

SEC. 203. (a) No employer may discharge any employee by reason of the fact that, on one occasion, wages or other compensation due the employee for personal services have been subjected to attachment, garnishment, or any similar legal or equitable process.

(b) The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this section.

(c) Whoever willfully violates subsection (a) of this section shall be fined not more than \$1,000, or imprisoned not more than one year, or both.

SEC. 204. This title shall not be construed to annul, alter, or affect, or to exempt any creditor from complying with, the laws of any State relating to the garnishment of wages, salary, or earnings in the form of commission or bonus, as compensation for personal services in connection with credit transactions, where such laws—

(1) prohibit such garnishments or provide for more limited garnishments than are provided for in section 202(a) of this title, or

(2) prohibit the discharge of any employee by reason of the fact that, on any occasion, wages or other compensation due the employee for personal services have been subjected to attachment, garnishment, or any similar legal or equitable process.

TITLE III—COMMISSION ON CONSUMER FINANCE

SEC. 301. ESTABLISHMENT.—There is established a bipartisan National Commission on Consumer Finance (referred to in this title as the "Commission").

SEC. 302. MEMBERSHIP OF THE COMMISSION.—(a) The Commission shall be composed of nine members, of whom—

(1) three are Members of the Senate appointed by the President of the Senate;

(2) three are Members of the House of Representatives appointed by the Speaker of the House of Representatives; and

(3) three are persons not employed in a full-time capacity by the United States appointed by the President, one of whom he shall designate as Chairman.

(b) A vacancy in the Commission does not affect its powers and may be filled in the same manner as the original appointment.

(c) Five members of the Commission constitute a quorum.

SEC. 303. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at a rate of \$100 for each day he is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 5703) for persons in the Government service employed intermittently.

SEC. 304. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the functioning and structure of the consumer finance industry, as well as consumer credit transactions generally. The Commission, in its report and recommendations to the Congress, shall include treatment of the following topics:

(1) The adequacy of existing arrangements to provide consumer credit at reasonable rates.

(2) The adequacy of existing supervisory and regulatory mechanisms to protect the public from unfair practices, and insure the informed use of consumer credit.

(3) The desirability of Federal chartering of consumer finance companies, or other Federal regulatory measures.

(b) The Commission may make interim reports, and shall make a final report of its findings, recommendations, and conclusions to the President and to the Congress by December 31, 1969.

SEC. 305. POWERS OF THE COMMISSION.—

(a) The Commission, or any three members thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions pertinent to the study. In connection therewith the Commission is authorized by majority vote—

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) to administer oaths;

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above; and

(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to require directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized and directed to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff. The Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the con-

duct of its business, except as herein otherwise provided.

SEC. 306. ADMINISTRATIVE ARRANGEMENTS.—

(a) The Commission is authorized, without regard to the provisions of title 5, United States Code, relating to appointments in the competitive service or to classification and General Schedule pay rates, to appoint and fix the compensation of an executive director and the executive director, with the approval of the Commission, shall employ and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the General Schedule.

(b) The executive director, with the approval of the Commission, is authorized to obtain services in accordance with the provisions of section 3109 of title 5 of the United States Code, but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Service Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services. The regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds shall apply to appropriations of the Commission. The Commission shall not be required to prescribe such regulations.

(e) Ninety days after submission of its final report, as provided in section 304(b), the Commission shall cease to exist.

SEC. 307. AUTHORIZATION OF APPROPRIATIONS.—There is hereby authorized to be appropriated such sums not in excess of \$1,500,000 as may be necessary to carry out the provisions of this title. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 306(e).

TITLE IV—SEVERABILITY

SEC. 401. If any provision of this Act is judicially held to be invalid, that holding does not necessarily affect the validity of any other provision of this Act.

Amend the title so as to read: "An Act to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by restricting the garnishment of wages; and by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes."

The motion was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed.

The title was amended so as to read: "A bill to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by restricting the garnishment of wages; and by creating the National Commission on Consumer Finance to

study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes."

A motion to reconsider was laid on the table.

A similar House bill (H.R. 11601) was laid on the table.

AUTHORIZATION TO MAKE CORRECTIONS IN THE HOUSE AMENDMENT TO S. 5

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that the Clerk may correct designations of titles and sections and cross-references in the House amendment to the bill of the Senate, S. 5.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

GENERAL LEAVE TO EXTEND

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed and to include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

LEGISLATIVE PROGRAM FOR THE WEEK OF FEBRUARY 5, 1968

(Mr. GERALD R. FORD asked and was given permission to address the House for 1 minute.)

Mr. GERALD R. FORD. Mr. Speaker, I take this time for the purpose of asking the distinguished Majority Leader, the gentleman from Oklahoma [Mr. ALBERT], the program for the remainder of this week and the program for next week.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. GERALD R. FORD. I yield to the gentleman from Oklahoma.

Mr. ALBERT. Mr. Speaker, in response to the inquiry of the distinguished minority leader, we will have no further legislative business this week and will ask to go over until Monday on the conclusion of the announcement of the program for next week. It is as follows:

Monday is Consent Calendar day.

There will be three bills brought up under suspension of the rules, as follows:

H.R. 10277, authorizing the Administrator of Veterans' Affairs to convey certain property to the State of Mississippi;

H.R. 4282, to eliminate certain requirements with respect to effectuating marketing orders for cherries;

S. 974, to authorize the Secretary of Agriculture to convey certain lands to the city of Glendale, Ariz.

Also on Monday:

H.R. 6157, to permit Federal employees to purchase shares of credit unions through voluntary payroll allotments. This will be called up under an open rule, with 1 hour of debate.

For Tuesday and the balance of the week:

The Private Calendar;

H.R. 6649, Export-Import Bank Act extension, which will be brought up under an open rule with 2 hours of debate;

H.R. 11284, Fire Research and Safety Act of 1967—under an open rule with 1 hour of debate.

H.R. 150, to provide for the designation of certain Veterans' Administration facilities—subject to a rule being granted.

H.R. 25, to authorize the Secretary of the Interior to preserve certain estuarine areas—subject to a rule being granted.

This announcement is made subject to the usual reservations that conference reports may be brought up at any time, and that any further program may be announced later.

Mr. Speaker, if the gentleman will yield further, I should like to make the request I indicated.

Mr. GERALD R. FORD. I yield to the gentleman from Oklahoma.

ADJOURNMENT TO MONDAY, FEBRUARY 5, 1968

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourns to meet on Monday next.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

Mr. GROSS. Mr. Speaker, reserving the right to object, I wonder if I heard the listing of the business for next week correctly. I do not recall the listing of a bill to remove the 25-percent gold cover.

Mr. ALBERT. The gold cover bill cannot be ready for business next week. We had intended to program it, but the committee will not finish its report until Friday, and the Rules Committee cannot hear it until the report has been filed. That is the only reason it has not been programmed.

Mr. GROSS. I know that some kind of petition or resolution is being circulated for the signatures of Members of the House to require France to pay her debts to the United States, and this to the exclusion of other foreign debtor nations. I wonder what effect that may have on the French Government due to failure to act on a bill. Will they acquire the little that is left of our so-called free gold, or will they wait to mop up, if the House is injudicious enough to pass a bill to remove the gold cover and thus make available the last \$10.5 billion.

Mr. ALBERT. The gentleman is making a very astute speech on a very important subject which I do not think has any relation to the issue at hand; namely, the announcement of the program for next week.

Mr. GROSS. All I am trying to determine is the timeliness or the untimeliness of the consideration of legislation.

I thank the distinguished majority leader.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued February 8, 1968
For actions of February 7, 1968
90th-2nd; No. 18

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HIGHLIGHT: Senate passed pine-gum price-support bill.

SENATE

1. PINE GUM; PRICE SUPPORTS. Passed as reported S. 2511, to provide for production goals for crude pine gum for 1968, 1969, and 1970, and compliance payments to producers complying with such goals, with a provision that such payments, together with other price support, could not exceed 90% of parity. pp. S1026-

2. POULTRY INSPECTION. Received from this Department a proposed bill to strengthen the Poultry Products Inspection Act; to Agriculture and Forestry Committee. p. S999
3. FOREST SERVICE. Received a Budget Bureau report that a Forest Service appropriation has been apportioned on a basis indicating a need for a supplemental appropriation. p. S999
4. FISH INSPECTION. Received from HEW a proposed bill to provide for inspection of facilities used in harvesting and processing fish and fishery products for commercial purposes; to Commerce Committee. pp. S999-1000
5. POLLUTION. Received Interior's report on industrial-waste profiles of 10 important water-using industries. p. S1000
Sen. Lausche inserted articles favoring control of water and air pollution. pp. S1037-9
6. FOOD LABELING. Sen. Long, Mo., criticized the new Food and Drug regulations on food labeling. p. S1039
7. CONSUMERS. Sen. Jackson defended various proposals for consumer protection. pp. S1041-2
8. FOREIGN TRADE. Sen. Tower spoke in favor of his bill, S. 2664, to establish a Commission on Domestic and Foreign Trade, and said it should consider (1) the possible need for additional importation of certain materials used in manufacturing cotton yarn and (2) broomcorn imports. pp. S1045, S1946
Sen. Byrd, Va., commended House passage of the Export-Import Bank bill. p. S1076

9. TRUTH-IN-LENDING. Conferees were appointed on S. 5, the truth-in-lending bill. House conferees have not been appointed. pp. S1077-82

10. WATERSHEDS. The Agriculture and Forestry Committee approved a number of watershed projects. p. D73
11. TRANSPORTATION. A subcommittee of the Commerce Committee approved S. 752, clarifying the exemption with respect to transportation performed by agricultural cooperatives for non-members; S. 858, permitting recovery of attorneys' fees in cases of recovery of damages sustained in transportation of property; and (without recommendation) S. 754, requiring Federal, State, and local governments to pay full rates for transportation provided by common carriers except during national emergencies. p. D74
12. INTERNATIONAL GRAINS ARRANGEMENT. Sen. Monroney inserted the President's message with reference to the International Grains Arrangement and stated that the arrangement "is an important development for American wheatgrowers." pp. S996-7 (Feb. 6)

legislation to which the addition of safe streets would be most appropriate, especially since much of this measure has been passed by the House and since this bill has been in the Judiciary Committee for nearly a year now.

Much the same can be said for the State Firearms Control Assistance Act, designed to help control the largely unfettered flow of deadly firearms which contributes so much to crime and violence in the Nation. Here, too, I am hopeful that we can achieve prompt and effective action in the Judiciary Committee, but if the traditional obstructionist attitude fostered by certain interests—or should I say self-interest—groups continues, we shall have to seek other avenues to assure that the Senate will be allowed to work its will on this subject.

I can be much more optimistic about the progress of the Juvenile Delinquency Prevention Act. We are polishing this bill right now in the Manpower Subcommittee, and we expect to meet next week in executive session to report the bill to the full committee, where I am sure it will receive immediate consideration.

I have not yet seen the text of the antiriot bill mentioned in the President's message, and I will examine it with great care and interest. It was my own conclusion that the hearings we had in the Judiciary Committee on this subject demonstrated that there was no real need for Federal legislation in this field, that State and local governments were fully empowered and willing to punish rioters, arsonists, and looters, and that there existed a real danger that the passage of such legislation would mislead the American people by representing that we had dealt adequately with the riot problem when in fact we were doing nothing of substance. Perhaps, after we have passed a strong civil rights bill demonstrating our continued dedication to equality and justice for every American, and after we have passed the two bills which really hold hope for helping to prevent and control riots; namely, the safe streets and gun control bills, and after we have considered and passed bills providing new programs and new appropriations to deal with the real problems of our urban areas, the poverty, ignorance, disease, and deprivation which lead to the tensions and hostility that lie at the root of riots, perhaps then we consider an antiriot bill. But I have serious doubts that such a measure, even if its passage can ultimately be justified, deserves any priority in the 90th Congress.

Again, Mr. President, I want to express my congratulations and respect for President Johnson's approach to the crime problem. When the history of this decade is written, I think his leadership in the fight against crime will be well noted by a grateful nation.

CONSUMER CREDIT PROTECTION ACT

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the Chair lay before the Senate the amendment of the House of Representatives on S. 5.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit, which was, strike out all after the enacting clause and insert:

SECTION 1. This Act may be cited as the "Consumer Credit Protection Act".

TITLE I—CREDIT TRANSACTIONS

SEC. 101. (a) The Federal Reserve Act is amended by striking the first sentence and inserting:

"TITLE I—THE FEDERAL RESERVE SYSTEM

"SECTION 1. SHORT TITLE AND DEFINITIONS

"This title may be cited as the Federal Reserve Act."

(b) Title I of the Federal Reserve Act is amended by changing "Act", wherever that word is used with reference to title I of the Federal Reserve Act (as so designated by subsection (a) of this section) to read "title".

(c) The Federal Reserve Act is amended by adding at the end:

"TITLE II—CREDIT TRANSACTIONS

"DECLARATION OF PURPOSE

"SEC. 201. The Congress finds that economic stabilization would be enhanced and that competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. The informed use of credit results from an awareness of the cost thereof by consumers. It is the purpose of this title to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit.

"DEFINITIONS

"SEC. 202. For the purposes of this title—
"(a) 'Board' means the Board of Governors of the Federal Reserve System.

"(b) 'credit' means the right granted by a creditor to a person other than an organization to defer payment of debt or to incur debt and defer its payment, where the debt is contracted by the obligor primarily for personal, family, household, or agricultural purposes. The term does not include any contract in the form of a bailment or lease except to the extent specifically included within the term 'consumer credit sale'.

"(c) 'consumer credit sale' means a transaction in which credit is granted by a seller in connection with the sale of goods or services, if such seller regularly engages in credit transactions as a seller, and such goods or services are purchased primarily for a personal, family, household, or agricultural purpose. The term does not include any contract in the form of a bailment or lease unless the obligor contracts to pay as compensation for use a sum substantially equivalent to or in excess of the value of the goods or services involved, and unless it is agreed that the obligor is bound to become, or for no other or a merely nominal consideration has the option of becoming, the owner of the goods upon full compliance with the provisions of the contract.

"(d) 'finance charge' means the sum of all the mandatory charges imposed directly or indirectly by a creditor, and payable directly or indirectly by an obligor, as an incident to the extension of credit, including loan fees, service and carrying charges, discounts, interest, time price differentials, investors' fees, costs of any guarantee or insurance protecting the creditor against the obligor's default or other credit loss, and any amount payable under a point, discount,

or other system of additional charges, except that

"(1) if itemized and disclosed under section 203, the term 'finance charge' does not include amounts collected by a creditor, or included in the credit, for

"(A) fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to a credit transaction, or the premium, not in excess of those fees and charges, payable for any insurance in lieu of perfecting the security; or

"(B) taxes; and

"(2) where credit is secured in whole or in part by an interest in real property, the term does not include, in addition, to the duly itemized and disclosed costs referred to in clauses (A) and (B) of paragraph (1) the costs of

"(A) title examination, title insurance, or corresponding procedures;

"(B) preparation of the deed, settlement statement, or other documents;

"(C) escrows for future payments of taxes and insurance;

"(D) notarizing the deed and other documents;

"(E) appraisal fees; or

"(F) credit reports.

"(e) 'creditor' means any individual, or any partnership, corporation, association, cooperative, or other entity, including the United States or any agency or instrumentality thereof, or any other government or political subdivision or agency or instrumentality thereof, if such individual or entity regularly engages in credit transactions, whether in connection with the sale of goods and services or otherwise, and extends, or arranges for the extension of, credit for which the payment of a finance charge is required.

"(f) (1) 'annual percentage rate' means, for the purposes of sections 203(b), 203(c), and 203(d), the nominal annual rate determined by the actuarial method (United States rule).

"(2) The Board may prescribe methods other than the actuarial method, if the Board determines that the use of such other methods will materially simplify computation while retaining reasonable accuracy as compared with the rate determined under the actuarial method.

"(3) For the purposes of section 203(d), the term 'equivalent annual percentage rate' means the rate or rates computed by multiplying the rate or rates used to compute the finance charge for any period by the number of periods in a year.

"(4) Where a creditor imposes the same finance charge for all balances within a specified range, the annual percentage rate or equivalent annual percentage rate shall be computed on the median balance within the range for the purposes of sections 203(b), 203(c), and 203(d).

"(g) 'open end credit plan' means a plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

"(h) 'Installment open end credit plan' means an open end credit plan which has one or more of the following characteristics: (1) creates a security interest in, or provides for a lien on, or retention of title to, any property (whether real or personal, tangible or intangible), (2) provides for a repayment schedule pursuant to which less than 60 per centum of the unpaid balance at any time outstanding under the plan is required to be paid within twelve months, or (3) provides that amounts in excess of required payments under the repayment schedule are applied to future payments in the order of their respective due dates.

"(i) 'organization' means a corporation, government or governmental subdivision or agency, business or other trust, estate, partnership, or association.

"(j) 'State' means any State, the Commonwealth of Puerto Rico, or the District of Columbia.

**"DISCLOSURE OF FINANCE CHARGES;
ADVERTISING**

"SEC. 203. (a) Each creditor shall furnish to each person to whom credit is extended and upon whom a finance charge is or may be imposed the information required by this section, in accordance with regulations prescribed by the Board.

"(b) This subsection applies to consumer credit sales other than sales under an open end credit plan. For each such sale the creditor shall disclose, to the extent applicable,

"(1) the cash price of the property or service purchased;

"(2) the sum of any amounts credited as downpayment (including any trade-in);

"(3) the difference between the amounts set forth in paragraphs (1) and (2);

"(4) all other charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge;

"(5) the total amount to be financed (the sum of the amounts disclosed under (3) and (4) above);

"(6) the amount of the finance charge (such charge, or a portion of such charge, may be designated as a time-price differential or as a similar term to the extent applicable);

"(7) the finance charge expressed as an annual percentage rate;

"(8) the number, amount, and due dates or periods of payments scheduled to repay the indebtedness;

"(9) the default, delinquency, or similar charges payable in the event of late payments; and

"(10) a description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

Except as otherwise hereinafter provided, the disclosure required by this subsection shall be made before the credit is extended. Compliance may be attained by disclosing such information in the contract or other evidence of indebtedness to be signed by the obligor. Where a seller receives a purchase order by mail or telephone without personal solicitation by a representative of the seller and the cash price and deferred payment price and the terms of financing, including the annual percentage rate, are set forth in the seller's catalog or other printed material distributed to the public, the disclosure shall be made on or before the date the first payment is due. Where a creditor mails or otherwise transmits monthly or other periodic bills or statements in connection with any sale to which this subsection is applicable, each such bill or statement shall set forth, to the extent applicable, the items described in subsection (d) (3) of this section, except that if the credit is extended for a period of five years or more, the items described in subsection (d) (3) need not be set forth more than once in each calendar year. If a credit sale is one of a series of credit transactions made pursuant to an agreement providing for the addition of the deferred payment price of that sale to an existing outstanding balance, and the person to whom the credit is extended has approved in writing both the annual percentage rate or rates and the method of computing the finance charge or charges, and the creditor retains no security interest in any goods sold as to which he has received payments aggregating the amount of the sales price including any finance charges attributable thereto, then the disclosure required by this subsection for the particular

sale shall be made on or before the date the first payment for that sale is due.

"(c) This subsection applies to extensions of credit other than consumer credit sales or transactions under an open end credit plan. Any creditor making a loan or otherwise extending credit under this subsection shall disclose, to the extent applicable,

"(1) the amount of credit of which the obligor will have the actual use, or which is or will be paid to him or for his account or to another person on his behalf;

"(2) all charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge;

"(3) the total amount to be financed (the sum of items (1) and (2) above);

"(4) the amount of the finance charge;

"(5) the finance charge expressed as an annual percentage rate;

"(6) the number, amount, and due dates or periods of payments scheduled to repay the indebtedness;

"(7) the default, delinquency, or similar charges payable in the event of late payments; and

"(8) a description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

Except as otherwise hereinafter provided, the disclosure required by this subsection shall be made before the credit is extended. Compliance may be attained by disclosing such information in the note or other evidence of indebtedness to be signed by the obligor. Where a creditor receives a request for an extension of credit by mail or telephone without personal solicitation by a representative of the creditor and the terms of financing, including the annual percentage rate for representative amounts of credit, are set forth in the creditor's printed material distributed to the public, or in the contract of loan or other printed material delivered to the obligor, the disclosure shall be made on or before the date the first payment is due. Where a creditor mails or otherwise transmits monthly or other periodic bills or statements in connection with any extension of credit to which this subsection is applicable, each such bill or statement shall set forth, to the extent applicable, the items described in subsection (d) (3) of this section, except that if such credit is extended for a period of five years or more, the items described in subsection (d) (3) need not be set forth more than once in each calendar year.

"(d) (1) This subsection applies to open end credit plans.

"(2) Before opening any account under an open end credit plan, the creditor shall, to the extent applicable, disclose to the person to whom credit is to be extended—

"(A) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;

"(B) the method of determining the balance upon which a finance charge will be imposed;

"(C) the method of determining the amount of the finance charge (including any minimum or fixed amount imposed as a finance charge), the annual percentage rate of the finance charge to be imposed, if any, and, in the case of an installment open end credit plan, the equivalent annual percentage rate;

"(D) the conditions under which any other charges may be imposed, and the method by which they will be determined; and

"(E) the conditions under which the creditor may retain or acquire any security interest in any property to secure the payment of any credit extended under the plan,

and a description of the interest or interests which may be so retained or acquired.

"(3) For each billing cycle at the end of which there is an outstanding balance under any such account, the creditor shall disclose, to the extent applicable,

"(A) the outstanding balance in the account at the beginning of the billing period;

"(B) the amount and date of each extension of credit during the period and, if a purchase was involved, a brief identification (unless previously furnished) of the goods or services purchased;

"(C) the total amount credited to the account during the period;

"(D) the amount of any finance charge added to the account during the period, itemized to show the amount, if any, due to the application of a percentage rate and the amount, if any, imposed as a minimum or fixed charge;

"(E) the finance charge expressed as an annual percentage rate;

"(F) the balance on which the finance charge was computed and statement of how the balance was determined. If such a balance is determined without first deducting all payments during the period, that fact and the amount of such payments shall also be disclosed;

"(G) the outstanding balance in the account at the end of the period; and

"(H) the date by which, or the period (if any) within which, payment must be made to avoid additional finance charges.

"(4) If a creditor adds to this billing under an open end credit plan one or more installments of other indebtedness from the same obligor, the creditor is not required to disclose under this subsection any information which has been disclosed previously in compliance with subsection (b) or (c).

"(5) Any creditor under an open end credit transaction shall furnish any party to the transaction with a written estimate of the approximate annual percentage rate of the finance charge on the transaction determined in accordance with regulations issued by the Board, if the party making the request specifies or identifies the repayments schedule involved and such other essential credit terms as may be prescribed in the regulations issued by the Board.

"(e) In the case of any extension of credit in connection with which a security interest is to be retained or acquired in any property which is used or is expected to be used as a residence by the person to whom credit is extended, the disclosures required under this title shall be made at least three days before the transaction is consummated or before any agreement to consummate the transaction is entered into by the party to whom the credit is extended, whichever is earlier. The Board may, if it finds that such action is necessary in order to permit homeowners to meet bona fide personal financial emergencies, prescribe regulations authorizing the modification or waiver of this requirement to the extent and under the circumstances set forth in such regulations.

"Notwithstanding any other provision of this Act, written acknowledgment of receipt by a person to whom a statement is required to be given pursuant to this paragraph shall provide only a rebuttable presumption of proof of delivery thereof.

"(f) Written acknowledgment of a receipt by a person to whom a statement is required to be given pursuant to this section shall be conclusive proof of the delivery thereof and, unless the violation is apparent on the face of the statement, of compliance with this section in any action or proceeding by or against an assignee of the original creditor without knowledge to the contrary by such assignee when he acquires the obligation, unless the assignee, its subsidiaries, or affiliates, are in a continuing business relationship with the original creditor. Such acknowledgment shall not affect the rights of the obligor in any action against the original creditor.

"(g) If there is more than one obligor, a creditor may furnish a statement of required information to only one of them. Required information need not be given in the sequence or order set forth in this section. Additional information or explanations may be included. So long as it conveys substantially the same meaning, a creditor may use language or terminology in any required statement different from that prescribed by this title.

"(h) If applicable State law requires disclosure of items of information substantially similar to those required by this title, then a creditor who complies with such State law may comply with this title by disclosing only the additional items of information required by this title.

"(i) If information disclosed in accordance with this section and any regulations prescribed by the Board is subsequently rendered inaccurate as the result of a prepayment, late payment, adjustment, or amendment of the credit agreement through mutual consent of the parties or as permitted by law, or as the result of any act or occurrence subsequent to the delivery of the required disclosures, the inaccuracy resulting therefrom shall not constitute a violation of this section.

"(j) If a creditor, in order to aid, promote, or assist directly or indirectly, any consumer credit sale, loan, or other extension of credit subject to the provisions of this section, other than an open end credit plan, states or otherwise represents in any advertisement

"(1) the rate of the finance charge, the advertisement shall state the rate of the finance charge expressed as an annual percentage rate; or

"(2) the amount of an installment payment or the dollar amount of finance charge, the advertisement shall state:

"(A) the cash price or the amount of the loan, as applicable;

"(B) the downpayment, if any;

"(C) the number, amount, and due dates or period of payments scheduled to repay the indebtedness if such credit were extended; and

"(D) the rate of the finance charge expressed as an annual percentage rate.

The provisions of this subsection shall not apply to advertisements of residential real estate except to the extent that the Board may by regulation require.

"(k) No creditor, in order to aid, promote, or assist, directly or indirectly, the extension of credit under an open end credit plan may state or otherwise represent in any advertisement any of the specific terms of that plan unless the advertisement clearly and conspicuously sets forth

"(1) the conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge;

"(2) the method of determining the balance upon which a finance charge will be imposed;

"(3) the method of determining the amount of the finance charge (including any minimum or fixed amount imposed as a finance charge), and the annual percentage rate; and

"(4) the conditions under which any other charges may be imposed, and the method by which they will be determined.

"(l) No creditor may state or otherwise represent in any advertisement

"(1) that a specified periodic credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payments or installments for that period and in that amount; or

"(2) that a specified downpayment is required, unless the creditor usually and customarily arranges downpayments in that amount.

"(m) For the purposes of subsections (j), (k), and (l), a catalog or other multiple-page advertisement shall be considered a

single advertisement if the catalog or other multiple-page advertisement clearly and conspicuously displays a credit terms table on which the information required to be stated by subsections (j), (k), and (l) is clearly set forth.

"(n) The prohibitions and requirements of subsections (j), (k), (l), and (m) of this section shall apply only to a creditor or his agent directly or indirectly causing the publication or dissemination of an advertisement and not to the owner, employees, or distributors of the medium in which the advertisement appears or through which it is disseminated.

"(o) The provisions of this section shall not apply to

"(1) credit transactions involving extensions of credit for business or commercial purposes, or to governments or governmental agencies or instrumentalities, or to organizations;

"(2) transactions in securities or commodities in accounts by a broker-dealer registered with the Securities and Exchange Commission; or

"(3) credit transactions other than real property transactions, in which the total amount to be financed exceeds \$25,000.

"REGULATIONS

"SEC. 204. (a) The Board shall prescribe regulations to carry out section 203, including provisions

"(1) describing the methods which may be used in determining annual percentage rates under section 203, including, but not limited to, the use of any rules, charts, tables, or devices by creditors to convert to an annual percentage rate any add-on, discount, or other method of computing a finance charge;

"(2) prescribing procedures to insure that the information required to be disclosed under section 203 is set forth clearly and conspicuously; and

"(3) prescribing reasonable tolerances of accuracy with respect to disclosing information under section 203.

"(b) In prescribing regulations with respect to reasonable tolerances of accuracy as required by subsection (a)(3), the Board shall observe the following limitations:

"(1) The annual percentage rate may be rounded to the nearest quarter of 1 per centum for credit transactions payable in substantially equal installments when a creditor determines the total finance charge on the basis of a single add-on, discount, periodic, or other rate, and such rates are converted into an annual percentage rate under procedures prescribed by the Board.

"(2) The use of rate tables or charts may be authorized in cases where the total finance charge is determined in a manner other than that specified in paragraph (1). Such tables or charts may provide for the disclosure of annual percentage rates which vary up to 8 per centum of the rate as defined by section 202(f). However, any creditor who willfully and knowingly uses such tables or charts in such a manner so as to consistently understate the annual percentage rate, as defined by section 202(f), shall be liable for criminal penalties under section 206(b) of this title.

"(3) In the case of creditors determining the annual percentage rate in a manner other than as described in paragraph (1) or (2), the Board may authorize other reasonable tolerances.

"(4) In order to simplify compliance where irregular payments are involved, the Board may authorize tolerances greater than those specified in paragraph (2).

"(c) Any regulation prescribed under this section may contain such classifications and differentiations and may provide for such adjustments and exceptions for any class of transactions as in the judgment of the Board are necessary or proper to effectuate the purposes of section 203 or to prevent circumvention or evasion of, or to facilitate compliance by creditors with, section 203

or any regulation issued under this section. In prescribing exceptions, the Board may consider, among other things, whether any class of transactions is subject to any State law or regulation which requires disclosures substantially similar to those required by section 203.

"(d) In the exercise of its powers under this title, the Board may request the views of other Federal agencies which in its judgment exercise regulatory functions with respect to any class of creditors, and such agencies shall furnish such views upon request of the Board.

"(e) The Board shall establish an advisory committee, to advise and consult with it in the exercise of its functions with respect to section 203 and this section. In appointing the members of the committee, the Board shall seek to achieve a fair representation of the interests of sellers of merchandise on credit, lenders, and the public. The committee shall meet from time to time at the call of the Board, and members thereof shall be paid transportation expenses and not to exceed \$100 per diem.

"EFFECT ON STATE LAWS

"SEC. 205. (a) This title shall not be construed to annul, alter or affect, or to exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that such laws are inconsistent with the provisions of this title, or regulations issued thereunder, and then only to the extent of the inconsistency. This title shall not otherwise be construed to annul, alter or affect in any manner the meaning, scope or applicability of the laws of any State, including, but not limited to, laws relating to the types, amounts or rates of charges, or any element or elements of charges, permissible under such laws in connection with the extension or use of credit, nor to extend the applicability of such laws to any class of persons or transactions to which such laws would not otherwise apply, nor shall the disclosure of the annual percentage rate in connection with any consumer credit sale as required by this title be evidence in any action or proceeding that such sale was a loan or any transaction other than a credit sale.

"(b) The Board shall by regulation exempt from the requirements of section 203 any class of credit transactions which it determines are subject to State law or regulation substantially similar to the requirements under that section, with adequate provision for enforcement.

"(c) Except as specified in section 206, section 203 and the regulations issued thereunder do not affect the validity or enforceability of any contract or obligation under State or Federal law.

"CIVIL AND CRIMINAL PENALTIES

"SEC. 206. (a)(1) Any creditor who, in connection with any credit transaction, knowingly fails in violation of section 203 (except sections 203(i), 203(j), and 203(k)), or any regulation issued thereunder, to disclose any information to any person to whom such information is required to be given shall be liable to such person in the amount of \$100, or in any amount equal to twice the finance charge required by such creditor in connection with such transaction, whichever is the greater, except that such liability shall not exceed \$1,000 on any credit transaction. Any action which may be brought under this subsection against the original creditor in any credit transaction involving a security interest in real property may be maintained against any assignee of the original creditor where such assignee, its subsidiaries, or affiliates were in a continuing business relationship with the original creditor either at the time the credit was extended or at the time of the assignment, unless the assignment was involuntary, or the assignee shows by a preponderance of evidence that it had no knowledge of any

reasonable likelihood of violation by the original creditor and that it maintained procedures reasonably adapted to apprise it of the existence of any such violations.

"(2) In any action brought under this subsection in which it is shown that the creditor disclosed a percentage rate or amount less than that required to be disclosed by section 203 or regulations prescribed by the Board (after taking into account permissible tolerances), or failed to disclose information so required, there shall be a rebuttable presumption that such violation was made knowingly. The presumption is rebutted if the creditor shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error. A creditor has no liability under this subsection if within fifteen days after discovering the error, and prior to the institution of an action hereunder or the receipt of written notice of the error, the creditor notifies the person concerned of the error and makes whatever adjustments in the appropriate account as are necessary to insure that the person will not be required to pay a finance charge in excess of the amount or percentage rate so disclosed.

"(3) Any action under this subsection may be brought in any United States district court, or in any other court of competent jurisdiction, within one year from the date of the occurrence of the violation. In any such action in which a person is entitled to recover a penalty as prescribed in paragraph (1), the defendant is also liable for reasonable attorneys' fees and court costs as determined by the court.

"(b) Any person who knowingly and willfully gives false or inaccurate information or fails to provide information required to be disclosed under the provisions of this title or any regulation issued thereunder, or who otherwise knowingly and willfully violates any provision of this title or any regulation issued thereunder, shall be fined not more than \$5,000 or imprisoned not more than one year, or both. The Attorney General shall enforce this subsection.

"(c) No punishment or penalty provided for a violation of section 203 or any regulation issued under section 204 applies to the United States, or any agency thereof, or to any State, any political subdivision thereof, or any agency of any State or political subdivision.

"(d) No person is subject to punishment or penalty under this section solely as the result of the disclosure of a finance charge or percentage which is greater than the amount of such charge or percentage required to be disclosed by such person under section 203, or regulations prescribed by the Board.

"ADMINISTRATIVE ENFORCEMENT

"SEC. 207. All of the functions and powers of the Federal Trade Commission are applicable to the administration and enforcement of this title to the same extent as if this title were a part of the Federal Trade Commission Act, and any person violating or threatening to violate any provision of this title or any regulation in implementation of this title is subject to the penalties and entitled to the provisions and immunities provided in the Federal Trade Commission Act, except as follows:

"(1) The exceptions stated in section 5(a)(6) of the Federal Trade Commission Act (15 U.S.C. 45(a)(6)) are not, as such, applicable to this title.

"(2) No bank or thrift institution is subject to the jurisdiction of the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title if the bank or institution is subject to section 5(d) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(d)), sec-

tion 407 of the National Housing Act (12 U.S.C. 1730), or section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818). The Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation) shall enforce this title and regulations in implementation thereof with respect to banks and other institutions under their respective jurisdictions.

"(3) No common carrier subject to the acts to regulate commerce is subject to the jurisdiction of the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title. The Interstate Commerce Commission shall enforce this title and regulations in implementation thereof with respect to such carriers.

"(4) No air carrier or foreign air carrier subject to the Federal Aviation Act of 1958 is subject to the Federal Trade Commission or to the provisions of the Federal Trade Commission Act with respect to this title. The Civil Aeronautics Board or the Federal Aviation Administration, as may be appropriate, shall enforce this title and regulations in implementation thereof with respect to any such carrier.

"(5) Except as provided in section 406 of the Act of August 15, 1921 (7 U.S.C. 227)—

"(A) no person, partnership, or corporation subject to the Packers and Stockyards Act, 1921, is subject to the jurisdiction of the Federal Trade Commission or to the provisions of that Act with respect to this title, and

"(B) the Secretary of Agriculture shall enforce this title and regulations in implementation thereof with respect to persons, partnerships, and corporations subject to the Packers and Stockyards Act, 1921.

—"REPORTS

"SEC. 208. Not later than January 3 of each year commencing after the effective date of this title, the Board of Governors of the Federal Reserve System and the Attorney General shall, respectively, make reports to the Congress concerning the administration of their functions under this title, including such recommendations as the Board and the Attorney General, respectively, deem necessary or appropriate. In addition, reports of the Board of Governors of the Federal Reserve System shall include the Board's assessment of the extent to which compliance with the provisions of this title, and regulations prescribed thereunder, is being achieved.

"EFFECTIVE DATE

"SEC. 209. The provisions of this title shall take effect on the first day of the ninth calendar month which begins after the date of enactment of this title, except that section 204 shall take effect immediately."

SEC. 102. (a) The Congress makes the following findings:

(1) Organized crime is interstate and international in character.

(2) Organized crime is engaged directly in interstate and foreign commerce, as well as intrastate commerce, in loaning money and other valuable things at excessive rates of interest, often in conjunction with the use of force, violence, and fear. This so-called loan sharking business of organized criminals and other criminals involves billions of dollars each year.

(3) The stability of the Nation's economy is affected by loan sharking activities.

(4) The use of legitimate credit channels would be enhanced by the prevention of loan sharking activities.

(5) The production and flow of goods in the Nation's economy is hindered by the diversion of money into excessive and confiscatory credit payments.

(6) Federal programs designed to aid the poor in the United States are rendered less effective by loan sharking activities.

(7) The diversion of money and assets into organized crime nullifies the purposes and benefits of a free enterprise economy and hinders the operations of Federal statutes and regulations designed to preserve that economy.

(8) In order to protect commerce, benefit the national economy and assure the full effects of Federal programs designed to aid the poor and maintain a free enterprise system, it is the purpose of this Act to prohibit loans at excessive and prohibitive rates of interest.

(9) Loan sharking activities directly impair the effectiveness and frustrate the purposes of the laws enacted by the Congress on the subject of bankruptcies.

(10) Loan sharking activities impair the stability of the national economy and thereby interfere with the regulation of the value of money.

(b)(1) Whoever in any way or degree obstructs, delays, or affects commerce or the movement of any article or commodity in commerce by loan sharking or attempts so to do shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

(2)(A) Whoever travels in interstate or foreign commerce or uses any facility in interstate or foreign commerce, including the mail, with the intent to promote, manage, establish, carry on, or facilitate the promotion, management, establishment, or carrying on, of loan sharking, and (B) thereafter performs or attempts to perform any act described in the preceding clause, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

(3) As used in this section—

(A) The term "loan sharking" means the lending of money at a rate of interest prohibited by the statutes of the State where the loan transaction takes place.

(B) The term "commerce" means commerce within the District of Columbia, or any territory or possession of the United States; all commerce between any point in a State, territory, possession, or the District of Columbia and any point outside thereof; all commerce between points within the same State through any place outside such State; and all other commerce over which the United States has jurisdiction.

(4) Whoever knowingly participates in any way in a wrongful use of actual or threatened force, violence, or fear in connection with a loan or forbearance in violation of subsections (1) and (2) of this section, or attempted violation thereof, shall be fined not more than \$10,000 or imprisoned not more than twenty-five years, or both.

(5) Whoever knowingly possesses, maintains, or exercises control over any paper, writing, instrument, or other thing used to record any loan or forbearance or any part of such transaction in violation of subsections (1) and (2) of this section shall be fined not more than \$5,000 or imprisoned not more than five years, or both.

(c) The provisions of subsection (b) of this section do not apply to any extension of credit by a creditor which is both—

(1) licensed or chartered as a banking or lending institution by the United States or any State, and

(2) regulated and supervised as a banking or lending institution by the United States or any State.

(d) Whenever in the judgment of a United States attorney the testimony of any witness, or the production of books, papers, or other evidence by any witness, in any case or proceeding before any grand jury or court of the United States involving any violation of this section, or any conspiracy to violate such section, is necessary to the public interest, such United States attorney, upon the approval of the Attorney General, or his designated representative, shall make application to the court that the witness shall be instructed to testify or produce evidence sub-

ject to the provisions of this section, and upon order of the court such witness shall not be excused from testifying or from producing books, papers, or other evidence on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture. But no such witness shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, nor shall testimony so compelled be used as evidence in any criminal proceeding (except prosecution described in the next sentence) against him in any court. No witness shall be exempt under this section from prosecution for perjury or contempt committed while giving testimony or producing evidence under compulsion as provided in this section.

(e) This Act shall not be construed as indicating an intent on the part of Congress to occupy the field in which this Act operates to the exclusion of a law of any State, territory, Commonwealth, or possession of the United States, and no law of any State, territory, Commonwealth, or possession of the United States, which would be valid in the absence of the Act shall be declared invalid, and no local authorities shall be deprived of any jurisdiction over any offense over which they would have jurisdiction in the absence of this Act.

TITLE II—RESTRICTION OF GARNISHMENT OF WAGES

SEC. 201. The Congress finds that garnishment of wages is frequently an essential element in predatory extensions of credit and that the resulting disruption of employment, production, and consumption constitutes a substantial burden upon interstate commerce.

SEC. 202. (a) Except as provided in subsection (b) of this section, not more than 10 per centum of the excess over \$30 per week, or its equivalent for any pay period of a different duration, of any wages, salary, or earnings in the form of commission or bonus as compensation for personal services may be attached, garnished, or subjected to any similar legal or equitable process or order. No court of the United States or of any State may make, execute, or enforce any order or process in violation of this section.

(b) The prohibition contained in subsection (a) of this section does not apply in the case of any debt due—

(1) under the order of any court for the support of any person; or

(2) for any State or Federal tax.

(c) The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this section.

SEC. 203. (a) No employer may discharge any employee by reason of the fact that, on one occasion, wages or other compensation due the employee for personal services have been subjected to attachment, garnishment, or any similar legal or equitable process.

(b) The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this section.

(c) Whoever willfully violates subsection (a) of this section shall be fined not more than \$1,000, or imprisoned not more than one year, or both.

SEC. 204. This title shall not be construed to annul, alter, or affect, or to exempt any creditor from complying with, the laws of any State relating to the garnishment of wages, salary, or earnings in the form of commission or bonus, as compensation for personal services in connection with credit transactions, where such laws—

(1) prohibit such garnishments or provide for more limited garnishments than are provided for in section 202(a) of this title, or

(2) prohibit the discharge of any employee by reason of the fact that, on any occasion, wages or other compensation due the employee for personal services have been subjected to attachment, garnishment, or any similar legal or equitable process.

TITLE III—COMMISSION ON CONSUMER FINANCE

SEC. 301. ESTABLISHMENT.—There is established a bipartisan National Commission on Consumer Finance (referred to in this title as the "Commission").

SEC. 302. MEMBERSHIP OF THE COMMISSION.—(a) The Commission shall be composed of nine members, of whom—

(1) three are Members of the Senate appointed by the President of the Senate;

(2) three are Members of the House of Representatives appointed by the Speaker of the House of Representatives; and

(3) three are persons not employed in a full-time capacity by the United States appointed by the President, one of whom he shall designate as Chairman.

(b) A vacancy in the Commission does not affect its powers and may be filled in the same manner as the original appointment.

(c) Five members of the Commission constitute a quorum.

SEC. 303. COMPENSATION OF MEMBERS.—(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at a rate of \$100 for each day he is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 5703) for persons in the Government service employed intermittently.

SEC. 304. DUTIES OF THE COMMISSION.—(a) The Commission shall study and appraise the functioning and structure of the consumer finance industry, as well as consumer credit transactions generally. The Commission, in its report and recommendations to the Congress, shall include treatment of the following topics:

(1) The adequacy of existing arrangements to provide consumer credit at reasonable rates.

(2) The adequacy of existing supervisory and regulatory mechanisms to protect the public from unfair practices, and insure the informed use of consumer credit.

(3) The desirability of Federal chartering of consumer finance companies, or other Federal regulatory measures.

(b) The Commission may make interim reports, and shall make a final report of its findings, recommendations, and conclusions to the President and to the Congress by December 31, 1969.

SEC. 305. POWERS OF THE COMMISSION.—(a) The Commission, or any three members thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinions pertinent to the study. In connection therewith the Commission is authorized by majority vote

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine;

(2) to administer oaths;

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties;

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order;

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above; and

(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission is authorized to require directly from the head of any Federal executive department or independent agency available information deemed useful in the discharge of its duties. All departments and independent agencies of the Government are hereby authorized and directed to cooperate with the Commission and to furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conducting of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it is authorized to publish such information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff. The Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying such documents as need may arise.

(f) The Commission is authorized to delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the conduct of its business, except as herein otherwise provided.

SEC. 306. ADMINISTRATIVE ARRANGEMENTS.—

(a) The Commission is authorized, without regard to the provisions of title 5, United States Code, relating to appointments in the competitive service or to classification and General Schedule pay rates, to appoint and fix the compensation of an executive director and the executive director, with the approval of the Commission, shall employ and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed shall receive compensation in excess of the rate authorized for GS-18 under the General Schedule.

(b) The executive director, with the approval of the Commission, is authorized to obtain services in accordance with the provisions of section 3109 of title 5 of the United States Code, but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government is authorized to detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services. The regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments shall apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of said Administrator for the administrative control of funds shall apply to appropriations of the Commission. The Commission shall not be required to prescribe such regulations.

(e) Ninety days after submission of its final report, as provided in section 304(b), the Commission shall cease to exist.

SEC. 307. AUTHORIZATION OF APPROPRIATIONS.—There is hereby authorized to be appropriated such sums not in excess of \$1,500,000 as may be necessary to carry out the provisions of this title. Any money appropriated pursuant hereto shall remain available to the Commission until the date of its expiration, as fixed by section 306(e).

TITLE IV—SEVERABILITY

SEC. 401. If any provision of this Act is judicially held to be invalid, that holding

does not necessarily affect the validity of any other provision of this Act.

And amend the title so as to read: "An Act to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by restricting the garnishment of wages; and by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes."

Mr. BYRD of West Virginia. Mr. President, I call up this matter at the request of the distinguished Senator from Alabama [Mr. SPARKMAN]. At his request, I move that the Senate disagree to the amendment of the House and request a conference with the House thereon and that the Chair be authorized to appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. SPARKMAN, Mr. PROXMIER, Mr. MUSKIE, Mr. BENNETT, and Mr. HICKENLOOPER conferees on the part of the Senate.

ORDER OF BUSINESS

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADJOURNMENT

Mr. BYRD of West Virginia. Mr. President, if there be no further business to come before the Senate, I move that the Senate stand in adjournment until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 24 minutes p.m.) the Senate adjourned until tomorrow, Thursday, February 8, 1968, at 12 o'clock meridian.

CONFIRMATION

Executive nomination confirmed by the Senate February 7, 1968:

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Thomas O. Paine, of California, to the Deputy Administrator of the National Aeronautics and Space Administration.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued February 9, 1968
For actions of February 8, 1968
90th-2nd; No. 19

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HIGHLIGHTS: Both Houses received President's foreign aid message, and several members discussed it. House passed Commerce fire research and control bill. House passed bill to authorize Interior study of estuarine areas. House committee vacated action on rice allotments bill. Sen. Hart introduced and discussed fish inspection bill.

HOUSE

(H. Doc. 251)

1. FOREIGN AID. Both Houses received the President's foreign aid message/recommending appropriation authorizations for the fiscal year 1969, in which he said: "Victory in the war on hunger is as important to every human being as any achievement in the history of mankind...AID programs are designed both to stimulate general economic growth and to give first priority to agriculture; to House Committee of the Whole and Senate Committee on Foreign Relations (pp. H935-8, S1108-11). Several members discussed the message (pp. H938-42, H1015-6, S1146).

2. FIRE RESEARCH AND CONTROL. Passed, 268-78, with amendments H. R. 11284, to amend the Organic Act of the National Bureau of Standards to authorize a fire research and safety program and to establish a National Commission on Fire Prevention and Control (pp. H942-60). Agreed to an amendment by Rep. Bell to reduce the authorization from \$20 million to \$5 million (p. H956). Then passed S. 1124 with the language of H. R. 11284, which was printed in the Record (pp. H958-60).
 3. ESTUARINE AREAS. Passed with amendments H. R. 25, to authorize the Interior Department, in cooperation with the States, to conduct an inventory and study of the Nation's estuaries and their natural resources. pp. H946-7, H960-75
 4. POULTRY INSPECTION. Rep. Purcell spoke in favor of the poultry inspection bill. p. H1024
Received this Department's proposed poultry inspection bill; to Agriculture Committee. p. H1027
 5. RICE ALLOTMENTS. The Agriculture Committee vacated without prejudice its action on H. R. 14601, to remove certain legislative restrictions on transfer of rice allotments, to await the recommendations of this Department. p. D82
 6. FARM LABOR. The Agriculture Committee "adopted a committee resolution pertaining to agricultural labor relations." p. D82
 7. TRUTH-IN-LENDING. Conferees were appointed on S. 5, the truth-in-lending bill. Senate conferees have been appointed. p. H946
 8. CONGRESSIONAL REORGANIZATION. Several members discussed congressional reorganization proposals. pp. H1016-7, H1019, H1025-6
 9. AIR POLLUTION. Received an HEW report on measures being taken to control emission of air pollutants from Federal facilities. p. H1027
 10. CLAIMS. Received a Court of Claims report on judgments rendered. p. H1027
 11. FISH CONCENTRATE. Received from the Interior Department a proposed bill "relating to the development...of fish protein concentrate"; to Merchant Marine and Fisheries Committee. p. H1027
 12. PERSONNEL. The Speaker appointed Edward H. Foley and William S. Spoelhof to the Commission on Executive, Legislative, and Judicial Salaries. p. H934
 13. LEGISLATIVE PROGRAM. Rep. Albert said there will be no legislative business next week, and the House agreed to meet only on Mon. and Thurs. p. H975
 14. ADJOURNED until Mon., Feb. 12. p. H975
- SENATE
15. FISHERIES. Received from Interior a draft bill to amend the Fish and Wildlife Act of 1956, as amended, to provide technical and financial assistance to the commercial fishing industry in meeting the requirements of the Wholesome Fish and Fishery Products Act of 1968; to Commerce Committee. p. S1085

Mr. FULTON of Pennsylvania. Does that word "member" include the advisory members, which are the two Senators and the two Members of the House?

Mr. DADDARIO. I would say in answer to that it only includes the members. It makes clear that the Members of the House and the Senate are advisory members and could not act in that capacity. This discussion is helpful in that respect, to make that sufficiently clear.

Mr. FULTON of Pennsylvania. I agree with my friend, the gentleman from Ohio, Congressman Bow, that this is the time for fiscal responsibility and for economy. On page 7, from lines 1 to 7, we see the authorization of appropriations. It is clear that the \$10 million is for the fiscal year ending June 30, 1968. If we look at that amount, you can see there are just the months of February, March, April, May, and June remaining. This is \$10 million to be spent over a period of 5 months. This would be a pretty high rate of expenditure for a new program, would it not? Could they spend it in that time?

Mr. DADDARIO. May I thank the gentleman from Pennsylvania for bringing this particular question up. As the gentleman will recall, in our deliberations in the committee, our colleague, the gentleman from Indiana [Mr. ROUDEBUSH], submitted an amendment to this effect in the full committee so that it would be cut down to a 2-year program. There will be an amendment applying to this so that it will adhere to Mr. ROUDEBUSH's amendment. This will be a 2-year program and will be terminated at that time unless Congress determines that it be supported further. As presently written and unless changed during the course of this, it will be \$10 million for 1 year and general authorization for 1 additional year.

Mr. FULTON of Pennsylvania. Then, there would be a change, in line with the gentleman's statement, in the succeeding fiscal year, 1969. It is now indefinite under the terms of the bill that such sums as may be necessary for the following fiscal year will be spent. That is an indefinite authorization. Would this be made definite in that case?

Mr. DADDARIO. Yes. It will definitely be demonstrated here that this will be a 2-year program.

Mr. FULTON of Pennsylvania. On page 12 you will notice in subsection (c) that there is the waiving of title 5 of the United States Code governing appointments in the civil service with regard to the employees of the Commission. That is to be set up under title 2.

Likewise, under line 10, there is an exception made to the provisions of chapter 51, subchapter 3 of chapter 53, which grants an exception from the rules made for the general classification service pay raise. Why is that?

Mr. DADDARIO. Mr. Speaker, if I may reply to the gentleman from Pennsylvania, the reason for this is that this being a 2-year program and because we wish it to get underway as quickly as possible—

The SPEAKER pro tempore (Mr. ALBERT). The time of the gentleman from Pennsylvania has expired.

Mr. MATSUNAGA. Mr. Speaker, I yield the gentleman from Pennsylvania 1 additional minute.

Mr. DADDARIO. Mr. Speaker, will the gentleman yield further?

Mr. FULTON of Pennsylvania. I yield further to the gentleman from Connecticut.

Mr. DADDARIO. It is in order that there will not be a delay as the result of obtaining people under the classified system, and have such delay require, I would judge, some 6 to 9 months. With the work of this Commission ending at the end of the 2-year period, the civil service people involved would then be necessarily on our hands to apply for activities in the other agencies of the Government; there would be an obligation to them. It would represent a much cleaner operation to follow this procedure in order to avoid these handicaps; that is, to give the Commission the authority to act promptly in the employment of these people when the work of this Commission begins.

Mr. FULTON of Pennsylvania. I agree, I would like to point out, however, that the language which appears on page 12 of the report of the committee states the following:

The committee believes that by adding a Commission to this bill it will tie the fire legislation into one package instead of two fragments going off in different directions.

When the Commission is being established under civil service, why not have a Commission as well tied into the operations and rules and regulations of the Civil Service Commission?

The SPEAKER pro tempore. The time of the gentleman from Pennsylvania has again expired.

Mr. MATSUNAGA. Mr. Speaker, I have no further requests for time.

Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the resolution.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. FULTON of Pennsylvania. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 332, nays 21, not voting 78, as follows:

[Roll No. 25]

YEAS—332

Abernethy
Adair
Adams
Addabbo
Albert
Anderson, Tenn.
Andrews, Ala.
Annunzio
Arends
Ashley
Ashmore
Aspinall
Ayres
Baring
Barrett
Bates

Battin
Belcher
Bell
Bennett
Betts
Bevill
Bingham
Blackburn
Blanton
Blatnik
Boland
Bolton
Brademas
Brasco
Bray
Brinkley
Brock

Brooks
Broomfield
Brozman
Brown, Calif.
Brown, Mich.
Brown, Ohio
Broyhill, N.C.
Buchanan
Burke, Mass.
Burton, Calif.
Burton, Utah
Bush
Button
Byrne, Pa.
Byrnes, Wis.
Cabell
Cahill

Carey
Carter
Casey
Chamberlain
Cohelan
Collier
Colmer
Conable
Conte
Conyers
Corbett
Corman
Cowger
Curtis
Daddario
Daniels
Davis, Ga.
de la Garza
Delaney
Dellenback
Dent
Derwinski
Dingell
Dole
Donohue
Dorn
Dow
Dowdy
Downing
Dulski
Duncan
Dwyer
Eckhardt
Edmondson
Edwards, Ala.
Edwards, Calif.
Eilberg
Erlenborn
Esch
Evans, Colo.
Evins, Tenn.
Fallon
Farbstein
Fascell
Feighan
Findley
Fino
Fisher
Flood
Flynt
Foley
Ford, Gerald R.
Fountain
Frelinghuysen
Friedel
Fulton, Pa.
Fulton, Tenn.
Fuqua
Galifianakis
Gallagher
Gardner
Garmatz
Gathings
Giaimo
Gibbons
Gilbert
Gonzalez
Goodell
Goodling
Green, Oreg.
Green, Pa.
Griffiths
Gross
Grover
Gubser
Hagan
Haley
Halleck
Halpern
Hamilton
Hammer-schmidt
Hanley
Hanna
Hansen, Wash.
Hardy
Harrison
Harsha
Harvey
Hathaway
Hawkins
Hays
Hechler, W. Va.
Heckler, Mass.
Helstoski

Henderson
Herlong
Hicks
Holifield
Holland
Horton
Hosmer
Howard
Hull
Hungate
Hunt
Hutchinson
Ichord
Irwin
Jacobs
Jarmen
Jogelson
Johnson, Calif.
Johnson, Pa.
Jonas
Jones, Ala.
Karsten
Karth
Kastenmeier
Kazen
Kee
Keith
Kelly
King, Calif.
King, N.Y.
Kirwan
Kleppe
Kornegay
Kupferman
Kyl
Kyros
Leggett
Lennon
Lloyd
Long, La.
Long, Md.
Lukens
McCarthy
McClary
McClure
McCulloch
McDonald, Mich.
McEwen
McFall
McMillan
Macdonald, Mass.
MacGregor
Machen
Mahon
Mailliard
Marsh
Mathias, Md.
Matsunaga
May
Mayne
Meeds
Meskill
Miller, Calif.
Miller, Ohio
Mills
Minish
Mink
Monagan
Montgomery
Moore
Moorhead
Morgan
Morris, N. Mex.
Morse, Mass.
Morton
Mosher
Murphy, Ill.
Murphy, N.Y.
Myers
Natcher
Nelsen
Nix
O'Hara, Ill.
O'Hara, Mich.
O'Ronski
Olsen
O'Neill, Mass.
Ottinger
Passman
Patman
Patten
Pelly
Perkins

NAYS—21

Berry
Bow
Burke, Fla.
Cederberg
Clawson, Del.
Denney
Dickinson

Eshleman
Hall
Laird
Langen
Lipscomb
Martin
Minshall

Pettis
Philbin
Pickle
Pike
Pirnie
Poage
Poff
Price, Ill.
Price, Tex.
Pryor
Purcell
Quie
Quillen
Randall
Rarick
Reid, N.Y.
Reifel
Reuss
Rhodes, Ariz.
Rhodes, Pa.
Rivers
Roberts
Robison
Rodino
Rogers, Colo.
Rogers, Fla.
Roman
Rooney, Pa.
Roth
Roush
Roybal
Ryan
St Germain
Sandman
Satterfield
Saylor
Scherle
Schneebeli
Schwengel
Scott
Shipley
Shriver
Sikes
Sisk
Slack
Smith, Calif.
Smith, Iowa
Smith, N.Y.
Stafford
Stagers
Stanton
Steed
Steiger, Ariz.
Steiger, Wis.
Stephens
Stratton
Stubblefield
Sullivan
Taft
Talcott
Taylor
Teague, Calif.
Tenzer
Thompson, N.J.
Thomson, Wis.
Tiernan
Tuck
Tunney
Udall
Ullman
Van Deerlin
Vander Jagt
Vanik
Vigorito
Waggoner
Waldie
Walker
Whalen
Whalley
White
Whitener
Widnall
Wiggins
Williams, Pa.
Willis
Wilson, Bob
Winn
Wolf
Wylder
Wylie
Wyman
Yates
Young
Zablocki
Zion

Mize
Reid, Ill.
Schadeberg
Stuckey
Thompson, Ga.
Watson
Whitten

NOT VOTING—78

Abbitt	Gettys	Resnick
Anderson, Ill.	Gray	Riegle
Andrews, N. Dak.	Gude	Rooney, N.Y.
Ashbrook	Gurney	Rosenthal
Biester	Hansen, Idaho	Rostenkowski
Boggs	Hébert	Roudebush
Bolling	Jones, Mo.	Rumsfeld
Broyhill, Va.	Jones, N.C.	Ruppe
Burleson	Kluczynski	St. Onge
Celler	Kuykendall	Scheuer
Clancy	Landrum	Schweiker
Clark	Latta	Selden
Clausen, Don H.	McCloskey	Skubitz
Cleveland	McDade	Smith, Okla.
Cramer	Madden	Snyder
Culver	Mathias, Calif.	Springer
Cunningham	Michel	Teague, Tex.
Davis, Wis.	Moss	Utt
Dawson	Nedzi	Wampler
Devine	Nichols	Watkins
Diggs	O'Neal, Ga.	Watts
Edwards, La.	Pepper	Wilson, Charles H.
Everett	Pollock	Wright
Ford, William D.	Pool	Wyatt
Fraser	Pucinski	Zwach
	Railsback	
	Rees	
	Reinecke	

ment, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Texas? The Chair hears none, and appoints the following conferees: Messrs. PATMAN, BARRETT, Mrs. SULLIVAN, Messrs. REUSS, ASHLEY, MOORHEAD, WIDNALL, FINO, and Mrs. DWYER.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Arrington, one its clerks, announced that the Senate had passed without amendment a joint resolution of the House of the following title:

H.J. Res. 947. Joint resolution authorizing the President to proclaim the period February 11 thru 17, 1968, as "LULAC Week".

PROVIDING FOR CONSIDERATION OF H.R. 25, ESTUARINE AREAS

Mr. SISK. Mr. Speaker, by direction of the Committee on Rules I call up House Resolution 1058 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 1058

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 25) to authorize the Secretary of the Interior in cooperation with the States to preserve, protect, develop, restore, and make accessible estuarine areas of the Nation which are valuable for sport and commercial fishing, wildlife conservation, recreation, and scenic beauty, and for other purposes. After general debate which shall be confined to the bill and shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Merchant Marine and Fisheries, the bill shall be read for amendment under the five-minute rule. It shall be in order to consider the amendment in the nature of a substitute recommended by the Committee on Merchant Marine and Fisheries now printed in the bill, and such substitute for the purpose of amendment shall be considered under the five-minute rule as an original bill. At the conclusion of such consideration the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and any Member may demand a separate vote in the House on any amendment adopted in the Committee of the Whole to the bill or committee amendment in the nature of a substitute. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

Mr. SISK. Mr. Speaker, I yield 30 minutes to the distinguished gentleman from Tennessee [Mr. QUILLEN] and, pending that, I yield myself such time as I may consume.

Mr. Speaker, House Resolution 1058 provides an open rule with 1 hour of debate for consideration of H.R. 25, a bill to authorize the Secretary of the Interior, in cooperation with the States, to conduct an inventory and study of the Nation's estuaries and their natural re-

sources. The rule further provides that it shall be in order to consider the amendment in the nature of a substitute recommended by the Committee on Merchant Marine and Fisheries now printed in the bill, and such substitute for the purpose of amendment shall be considered under the 5-minute rule as an original bill.

The purpose of H.R. 25 is to provide a means for protecting and conserving our Nation's estuarine areas and the waters of the Great Lakes.

The Secretary of the Interior, in consultation and in cooperation with the States, the Secretary of the Army, and other Federal agencies, is authorized and directed to conduct a study and inventory of the Nation's estuaries, including coastal marshlands, bays, sounds, seaward areas, lagoons, and land and waters of the Great Lakes.

With respect to certain publicly owned lands on Long Island, N.Y., which were studied in 1961 and 1965, the Secretary would be authorized to enter into an agreement with the State of New York, or any political subdivision or agency thereof, for the permanent management, development, and administration of such areas.

The Secretary would also be authorized and directed to study publicly owned areas in other States with a view toward recommending the desirability of authorizing the Secretary to enter into similar agreements for the administration, management, and development of those areas.

The Secretary of the Interior shall submit to the Congress, not later than January 30, 1970, a report of the study conducted, together with any legislative recommendations.

No lands could be acquired unless authorized by a subsequent act of Congress.

The study is authorized over a 2-year period; \$750,000 is authorized for fiscal year 1969 and \$250,000 for fiscal year 1970. There is no direct authorization for the project to be undertaken on Long Island, N.Y. The estimated additional cost to the Federal Government for the Long Island project is \$510,500 over a 5-year period, assuming maximum Federal participation will be 50 percent of total costs.

The Nation's estuarine areas are rapidly being destroyed in many areas by pollution. The study and inventory authorized by H.R. 25 would be the basis for determining appropriate means of preserving or restoring these areas.

Mr. Speaker, I might say that the distinguished gentleman from Michigan [Mr. DINGELL] made a very excellent statement before the Committee on Rules outlining the purpose and intent of this particular legislation. This legislation certainly seems to be in the best interest of our country.

Mr. Speaker, I urge the adoption of House Resolution 1058 in order that H.R. 25 may be considered.

(Mr. SISK asked and was given permission to revise and extend his remarks.)

Mr. QUILLEN. Mr. Speaker, I yield myself such time as I may consume.

So the resolution was agreed to. The Clerk announced the following pairs:

Mr. Hébert with Mr. Cramer.
Mr. Rooney of New York with Mr. McDade.
Mr. St. Onge with Mr. Anderson of Illinois.
Mr. Gettys with Mr. Kuykendall.
Mr. O'Neal of Georgia with Mr. Latta.
Mr. Celler with Mr. Gude.
Mr. Boggs with Mr. Broyhill of Virginia.
Mr. Kluczynski with Mr. Pollock.
Mr. Madden with Mr. Gurney.
Mr. Moss with Mr. Rumsfeld.
Mr. Rees with Mr. Don H. Clausen.
Mr. Rostenkowski with Mr. Davis of Wisconsin.
Mr. Charles H. Wilson with Mr. Mathias of California.
Mr. Teague of Texas with Mr. Clancy.
Mr. Pucinski with Mr. Michel.
Mr. Nichols with Mr. Roudebush.
Mr. Nedzi with Mr. Cleveland.
Mr. Landrum with Mr. Ruppe.
Mr. Wright with Mr. Railsback.
Mr. Burleson with Mr. Cunningham.
Mr. Clark with Mr. Diggs.
Mr. Everett with Mr. Schweiker.
Mr. Resnick with Mr. Ashbrook.
Mr. Pepper with Mr. Riegle.
Mr. Rosenthal with Mr. McCloskey.
Mr. Scheuer with Mr. Springer.
Mr. Gray with Mr. Reinecke.
Mr. Watts with Mr. Skubitz.
Mr. Abbott with Mr. Smith of Oklahoma.
Mr. Culver with Mr. Snyder.
Mr. Edwards of Louisiana with Mr. Utt.
Mr. Selden with Mr. Wampler.
Mr. Jones of North Carolina with Mr. Watkins.
Mr. William D. Ford with Mr. Wyatt.
Mr. Pool with Mr. Zwach.
Mr. Devine with Mr. Hansen of Idaho.
Mr. Fraser with Mr. Dawson.
Mr. Andrews of North Dakota with Mr. Biester.

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.

TRUTH IN LENDING ACT OF 1967

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit, with a House amendment thereto, insist on the House amend-

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

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(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued May 17, 1968
For actions of May 16, 1968
90th-2nd; No. 84

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HIGHLIGHTS: House committee reported Interior appropriation bill (includes Forest Service). Senate committee reported bills on food stamp, Cradle of Forestry, emergency credit, Kerr Memorial, and watershed construction. Sen. Mondale introduced and discussed domestic food assistance bill. Sen. Nelson introduced and discussed wilderness bill.

HOUSE

1. APPROPRIATIONS. The Appropriations Committee reported H. R. 17354, the Interior and related agencies appropriation bill, 1969 (H. Rept. 1395) (p. H3924). A table reflecting the items for the Forest Service and significant excerpts from the report are attached to this Digest.

2. RECLAMATION. Passed with amendments S. 1004, to authorize the construction, operation, and maintenance of the Colorado River Basin project. Adopted an amendment by Rep. Saylor to direct Interior "to find the most economical means of augmenting the water supply available in the Colorado River" (pp. H3871-4). Rejected amendments by Rep. Harrison "to provide that by... January 1, 1990,...in a specific amount, 4 million acre-feet, water will be supplied to augment the dwindling supply of the Colorado River system" (pp. H3874-79); by Rep. Saylor, 45-89, to substitute an alternative damsite, Conner site, for the Hooker site "to avoid...threat to the wilderness area" (pp. H3879-81); and by Rep. Saylor to authorize only two projects in Colorado (pp. H3881-3). A motion by Rep. McClure to recommit the bill was rejected (p. H3887). H. R. 3300, a similar bill, was tabled. pp. H3870-92
3. PERSONNEL. The Post Office and Civil Service Committee reported with amendment H. R. 15395, to provide salary step advancements and adjustments for employees moving to and from different pay systems (H. Rept. 1393). p. H3924
The Post Office and Civil Service Committee voted to report (but did not actually report) H. R. 17267, to remove persons from Federal employment who engage in unlawful acts connected with riots or civil disorders. p. D445
4. CONSUMER CREDIT. The conferees on S. 5, the truth-in-lending bill, were granted until midnight May 18 to report. p. H3869
Rep. Patman inserted a summary of the truth-in-lending bill. pp. H3921-2
5. MANPOWER. Received from the Post Office and Civil Service Committee a report on manpower management in the Federal Government (H. Rept. 1392). p. H3924
6. ST. LAWRENCE SEAWAY. Both Houses received from the President the annual report of the St. Lawrence Seaway Development Corporation (H. Doc. 312); to Public Works Committees. The President stated the Seaway had its second best year in nine years of operations and has "placed Midwest ports on the sealanes of the world." pp. H3870, S5683
7. EXPORT-IMPORT. The Banking and Currency Committee voted to report (but did not actually report) H. R. 16162, to enable the Export-Import Bank to extend loans, guarantees, and insurance in certain cases. p. D444
8. WILDLIFE. The Merchant Marine and Fisheries Committee voted to report (but did not actually report) H. R. 11026, to facilitate the conduct of the fish and wildlife conservation and rehabilitation program; and S. 322, to restrict the disposition of lands acquired as part of the National Wildlife Refuge System. p. D445
9. BUILDINGS. A subcommittee of the Public Works Committee approved for full committee action H. R. 6589, amended, to require Federal buildings to be reasonably accessible to physically handicapped persons. p. D445



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Congressional Record

PROCEEDINGS AND DEBATES OF THE 90th CONGRESS, SECOND SESSION

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Division of Legislative Reporting
Office of Budget and Finance

Vol. 114

WASHINGTON, THURSDAY, MAY 16, 1968

No. 84

House of Representatives

The House met at 12 o'clock noon.

The Chaplain, Rev. Edward G. Latch, D.D., offered the following prayer:

We know that in everything God works for good with those who love Him—Romans 8: 28.

Eternal Spirit of God, the light of the minds that seek Thee, the life of the spirits that find Thee, and the love of the souls that serve Thee, grant unto us a renewal of heart as we wait upon Thee in this our morning prayer. By Thy spirit make us ready for the responsibilities of this day, equal to every experience and adequate to serve the present age.

The world around us is full of the rumblings of discontent and disturbances which breed disorder. In these hours help us to keep our faith, that strong in Thee we may face these facts courageously and confidently, ever seeking liberty and justice and peace for all.

Bless our land with Thy favor and strengthen us to walk in the way of Thy commandments: through Jesus Christ our Lord. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

PERMISSION TO FILE CONFERENCE REPORT ON S. 5 BY MIDNIGHT, MAY 18

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that the conferees on the disagreeing votes of the two Houses on the amendments of the House to S. 5, the Consumer Credit Protection Act, known as the Truth in Lending Act, may have until midnight on Saturday, May 18, to file the conference report.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

COMMISSION ON THE ESTABLISHMENT OF AN AFRICAN INSTITUTE FOR CULTURAL AND TECHNICAL INTERCHANGE

(Mr. O'HARA of Illinois asked and was given permission to address the House for 1 minute.)

Mr. O'HARA of Illinois. Mr. Speaker, in the next few days I will introduce a bill providing for the establishment of a Commission on the Establishment of an African Institute for Cultural and Technical Interchange. I invite my colleagues in the House of Representatives who believe in the future of Africa to join as sponsors of this bill.

The time is now for all in our United States to recognize that Africa's role in tomorrow's world will be significant.

There are already in existence two institutions which make possible cultural and technical interchange between our country and the nations of Asia and our country and the nations of Latin America. There seems valid and compelling reason for the existence of an institute to accomplish these identical aims between our country and the nations of Africa.

The bill I will introduce establishes a commission to determine whether such a need is real at this time, and how best to accomplish it. It makes no provision for the actual establishment of such an institute until an in-depth study first ascertains whether or not justification exists.

I hope I may count on your support.

LOAN-SHARK AMENDMENT

(Mr. POFF asked and was given permission to address the House for 1 minute.)

Mr. POFF. Mr. Speaker, I am delighted to report that conferees on the truth-in-lending bill have reached final accord on the form of the loan-shark amendment adopted by the House.

Although my separate bill on loan sharking had been pending for a considerable time, the Committee on the Judiciary had not been able to find time in its busy schedule to hold public hearings prior to floor action on the amendment. However, since the day the House acted, earnest efforts have been made to elicit the views and advice of representatives of a broad spectrum of the financial world. Legal craftsmen in the Congress and the Department of Justice have brought a wealth of talent to bear upon the issue. Doubtless, the final product will not fully please everyone. It may be too broad for some and too narrow for others.

Yet, I am confident that the new form will preserve the essential substance of the original House amendment; that it will effectively reach its intended target, the heartless loan shark of organized crime who preys upon destitute and desperate people; and that it will not jeopardize the lawful operations of legitimate lending institutions.

PERSONAL ANNOUNCEMENT

Mr. CHAMBERLAIN. Mr. Speaker, it was necessary for me to be absent on May 2. For that reason I am not recorded on rollcall No. 113. I would like the RECORD to show that had I been present, I would have voted "yea."

CALL OF THE HOUSE

Mr. ASPINALL. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 141]

Baring	Hagan	Morse, Mass.
Bell	Hall	Olsen
Bolton	Halleck	O'Neill, Mass.
Broomfield	Hanley	Passman
Cabell	Hardy	Pool
Carter	Hawkins	Purcell
Clark	Hébert	Rarick
Collier	Holland	Resnick
Colmer	Howard	Rivers
Conyers	Irwin	Rosenthal
Cramer	Karsten	Scheuer
Culver	Kee	Selden
Dawson	Kelly	Skubitz
Downing	Kuykendall	Stubblefield
Eckhardt	Long, La.	Taft
Esch	Long, Md.	Teague, Calif.
Fraser	McDonald,	Teague, Tex.
Frelinghuysen	Mich.	Tenzer
Gettys	Mailliard	Vander Jagt
Griffin	Mayne	Wilson,
Gross	Moore	Charles H.
Gurney	Moorhead	Young

The SPEAKER. On this rollcall 371 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

H 3869

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Geisler, one of his secretaries.

(Mr. PUCINSKI asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

[Mr. PUCINSKI addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

THE 1967 ANNUAL REPORT OF THE ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 312)

The SPEAKER laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, referred to the Committee on Public Works and ordered to be printed:

To the Congress of the United States:

It is my pleasure to submit to Congress the 1967 Annual Report of the Saint Lawrence Seaway Development Corporation.

The Seaway had its second best year in nine years of operations—registering a total of 44 million tons of cargo. The record season for Seaway tonnage was 1966 when 49.2 million tons were moved through the Montreal-Lake Ontario waterway. We hoped that the Seaway would reach the 50-million ton mark in 1967, but a strike plus some slackening in demand for grain, resulted in reduced traffic.

While overall tonnage was somewhat disappointing, there are many bright spots in the report. General cargo, for example, increased to six million tons from 5.5 million. Iron ore shipments also were higher with 16.4 million tons moving through the Seaway locks to the steel mills of the Midwest. These increases indicate the growing appreciation of the waterway's advantages as a means of reducing transportation costs.

The Seaway has truly placed Midwest ports on the sealanes of the world. More than 600 salt-water vessels made 1,284 trips into the Lakes in 1967.

However, reduced traffic, along with an adjustment in the division of toll revenue between Canada and the United States caused income to fall from \$7.1 million to \$6.1 million.

Despite this loss, \$4 million was returned to the U.S. Treasury. This makes a total repayment of \$28.9 million since the Seaway opened in 1959.

A major concern of the Corporation is the need to repair Eisenhower Lock. The Corporation retained the Corps of Engineers to direct the work which will continue until 1971. Fortunately, it will not interfere with the navigation seasons. In my budget for fiscal year 1969, I requested that funds be made available to cover the cost of repair.

I commend this report to your attention.

LYNDON B. JOHNSON.
THE WHITE HOUSE, May 16, 1968.

COLORADO RIVER BASIN PROJECT

Mr. ASPINALL. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 3300) to authorize the construction, operation, and maintenance of the Colorado River Basin project, and for other purposes.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 3300, with Mr. MILLS in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Before the Committee rose on yesterday, it had agreed that the committee substitute amendment would be considered as read and open to amendment at any point.

For what purpose does the gentleman from Oklahoma [Mr. EDMONDSON], a member of the committee, rise?

Mr. EDMONDSON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, initially I would like to compliment the chairman of the full Committee on Interior and Insular Affairs, the Honorable WAYNE N. ASPINALL, for the outstanding presentation which was made yesterday in behalf of this legislation.

I think the record that has been made on the floor of the House in support of this bill is a splendid one. I am proud of the work that the full committee has done on both sides of the aisle on this particular bill.

Mr. WILLIS. Mr. Chairman, will the gentleman yield?

Mr. EDMONDSON. I yield to the gentleman.

Mr. WILLIS. I want to join the gentleman in complimenting our good friend, WAYNE ASPINALL, the chairman of the Committee on Interior and Insular Affairs.

I have never heard or learned of Chairman ASPINALL bringing a bill before this body which was unworthy of consideration. Despite some of the complaints that one might hear in the cloakroom, and here and there, about this bill, I do want to say this—if it is good enough for WAYNE ASPINALL, it is good enough for Ed WILLIS.

Mr. EDMONDSON. I thank the gentleman for his remarks.

I do believe this is a remarkable piece of legislative work that has been brought to the floor of the House, and a great share of the credit must go to the chairman of the full committee.

Yesterday the chairman of the full committee, in his presentation, made reference to the purpose of title II, "to assemble all of the relevant facts with respect to water availability and future water needs for all river basins draining into the Pacific Ocean, whether they are water-short areas or water-surplus areas."

The purpose of my taking this time is to receive an assurance, if I can, from the chairman of the full committee, that this language makes it quite clear that the Secretary of the Interior would not go beyond the area of the reclamation States in connection with the survey authorized by title II.

Mr. ASPINALL. Mr. Chairman, will the gentleman yield?

Mr. EDMONDSON. I yield to the gentleman.

Mr. ASPINALL. First, may I accept the accolades that were thrown my way? But may I also state that the work on this bill was a committee operation? Even those who are in opposition to some of the provisions of the bill deserve credit for bringing the bill out and making the record which was made yesterday.

Now, if I may answer my colleague, the gentleman from Oklahoma [Mr. EDMONDSON]. He is correct in his interpretation. When we refer to "westwide," we mean the western part of the United States, or the reclamation area. Of course, this particular provision, or the particular area covered by the studies authorized here, would be those basins which flow into the Pacific Ocean.

Mr. EDMONDSON. I thank the chairman very much.

AMENDMENT OFFERED BY MR. RHODES OF ARIZONA

Mr. RHODES of Arizona. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. RHODES of Arizona: On page 59, lines 7 and 8, strike out the words "may, pursuant to an agreement with the Secretary," and insert in lieu thereof the words: "shall have a right, in accordance with plans approved by the Secretary, to".

Mr. ASPINALL. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. ASPINALL. Are we considering amendments to the bill by title or to a particular title?

The CHAIRMAN. The committee is considering the bill on the basis of its being open to amendment at any point.

Mr. ASPINALL. All the way through the bill?

The CHAIRMAN. All the way through the bill.

Mr. ASPINALL. I thank the Chairman.

The CHAIRMAN. The gentleman from Arizona is recognized for 5 minutes.

Mr. RHODES of Arizona. Mr. Chairman, under section 302(a), the Secretary of the Interior is authorized to acquire either fee title to, or easements over, lands within the Fort McDowell and Salt River Reservations for the Orme Dam and Reservoir. The purpose of my amendment is to make clear, as I understand the committee intended, that the two Indian communities involved may not be prevented from developing and operating recreation facilities within their reservations—particularly on lands to which the United States has acquired only flowage easements—by arbitrary action of some future Secretary of the Interior.

up. The Straughters decided to quit the neighborhood.

That's when the Rev. John A. Shocklee, pastor of St. Bridget of Erin Church, and his former assistant, the Rev. Joseph M. Kohler, stepped in.

"We wanted to keep the Straughters in the area," Father Kohler said. "You know how everyone talks about indigenous leaders these days. I can't spell indigenous, but I know real leaders and we couldn't afford to lose the Straughters."

Until that time, Father Kohler had been principally concerned with finding better paying jobs for area residents. Through VIP—Voluntary Improvement Program—scores of residents have been able to obtain high school equivalency ratings that paid off in qualifying them for jobs at higher wages. Now Father Kohler, who "never had bought anything in my life," decided to buy houses.

LIST OF HOUSES OBTAINED

He and Father Shocklee obtained a list of available houses for sale, mustered up funds through voluntary contributions and bought their first house.

"When Father Kohler asked me how I would like to have a place of my own, I didn't know what to say," Mrs. Straughter said. "I still don't. I love it so."

The interior of the house was brought up to city standards by adding a furnace, electric wiring and bathrooms. The yard was fenced in and Mrs. Straughter now has the garden she always wanted.

From this informal effort, the Bicentennial Civic Improvement Corporation (BCIC) was formed in November, 1964. It has mobilized wide-ranging voluntary support, not only from St. Bridget's Church but from such organizations as the American Jewish Congress and the League of Women Voters.

FINANCING PROVIDED

Most importantly, in terms of the housing venture, BCIC found a strong friend in M. A. Burdzy, president of the Pulaski Savings and Loan Association, Pulaski, with BCIC assisting in collecting mortgage payments, worked out a financing device which, in effect, provided poor families with 100 per cent financing repayable over 15 years.

Dwelling units were acquired for between \$2000 and \$3000. Rehabilitation costs—replacing roofs, installing new kitchens, furnaces, heating systems, bathrooms and inside stairs—averaged about \$4000 to \$5000 a unit.

This type of rehabilitation has had an important byproduct—providing jobs for the area's Negroes working under the supervision of an excellent craftsman, Richard Woods, who is on the staff of BCIC.

"I've lived in this neighborhood for 40 years," Woods said. "It was a beautiful neighborhood. It's going to be beautiful again."

But the piecemeal operation of BCIC has had its drawbacks. As fast as a few houses have been rehabilitated, more decayed. Now, with both Federal antipoverty and housing money, BCIC has set up a sister corporation with a master plan to complete rehabilitating 300 houses in the nine-block area.

COMMUNITY ORGANIZER

Mrs. Straughter is now a fulltime community organizer, who screens the families who will buy the houses.

"I still have to earn my title when we really become a community," she said. "Right now, I'm just a people's worker."

Among her "people" are the Fortes. They are paying \$71.92 for their three-level home, with its huge basement, living room, dining room, kitchen, three large bedrooms and 1½ baths.

"You don't know the thrill it is to know that this is all yours," said Mrs. Forte.

Forte added: "I now live for my home and my family. They're happy and that makes me the happiest."

And that's why Father Kohler said "if we get enough homes built, we'll make it go—home owners aren't home burners."

TRUTH-IN-LENDING BILL CLEARS CONFERENCE COMMITTEE

(Mr. PATMAN asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. PATMAN. Mr. Speaker, this morning's Washington Post contains a succinct summary of the major provisions of the truth-in-lending bill which the House and Senate conferees finished yesterday.

I am sure all Members will be interested in looking at this summary in anticipation of the conference report being brought to the floor in the very near future.

This time is being taken so that I can personally compliment the gentlewoman from Missouri, the Honorable LEONOR K. SULLIVAN, chairman of the Consumer Affairs Subcommittee of the House Committee on Banking and Currency, for her superb performance in conducting the House hearings on this legislation, her participation in the House floor debate, and the leadership she evidenced in the conference.

Every consumer owes Mrs. SULLIVAN, whom I consider to be the outstanding consumer champion in Congress, a great debt of gratitude.

My words of praise for Mrs. SULLIVAN in no way imply any criticism of the other conferees on the truth-in-lending conference who, in my opinion, all carried out their responsibility in the true tradition of conferees on a very complicated piece of legislation.

I want to emphasize that we also owe a debt to two distinguished Members of the other body, Senator SPARKMAN of Alabama, chairman of the Senate Banking and Currency Committee, and Senator PROXMIRE of Wisconsin, chairman of the subcommittee which handled this legislation in the Senate. I am most grateful to both Senator SPARKMAN and Senator PROXMIRE for their able and informed contributions to the progress of this vital legislation.

Let no one be misled, however, into believing that this legislation has concluded congressional responsibility in this most vital area. This truth-in-lending legislation is nothing more than a mere beginning. I would personally feel that the American consumers have been let down if legislation is not considered in the very near future going beyond that which we now have before us.

I conclude, Mr. Speaker, by also paying homage to that great American, Senator Paul Douglas, for it is to this great American that we owe the original debt for his conception of the legislation and his tenacity in attempting to secure its enactment.

The article follows:

TRUTH-IN-LENDING BILL CLEARED—CONFEREES ADOPT DISCLOSURE RULES ON CREDIT COSTS

(By Richard L. Lyons)

House-Senate conferees agreed yesterday on a "truth-in-lending" bill modified somewhat from the tough House version but still one of the strongest consumer protection bills ever written.

It now goes back to each house for a final vote and expected approval, the climax of an eight-year fight to tell consumers the full cost of credit when they buy on time.

The bill requires full disclosure of credit

costs and interest rates in credit advertising, department store revolving credit and other installment purchases and loans.

It imposes restrictions on garnishment of wages to satisfy debts, writes a new Federal anti-loan shark law and protects poor homeowners from unknowingly signing second mortgages to finance home repairs.

The second mortgage protection would be of special importance here in Washington. Recent surveys have shown many cases of poor homemakers learning too late that the loan paper they signed for repairs was in fact a second mortgage, by which they incurred long-term debt and possible loss of their homes.

Rep. Leonor K. Sullivan (D-Mo.) who had pushed through the House a bill requiring full disclosure on consumer credit transactions totaling about \$100 billion a year, called the final product a "good bill," but added she was sorry she had to give up some good provisions.

Senate conferees, bargaining for the much weaker Senate bill, said the House hadn't given up five per cent of the difference between them.

President Johnson called the conference agreement "a great victory for the American consumer. I applaud the action of the conferees and I urge the House and Senate promptly to make this long-overdue measure a reality for the American people."

Following is a brief summary of major provisions in the compromise bill:

Garnishment. The bill would exempt from garnishment the first \$49 or 75 percent of an employee's weekly take-home pay, whichever is greater. This would take effect July 1, 1970; the rest of the bill, July 1, 1969.

Credit Advertising. Published or broadcast advertising which includes any figures must give total credit costs and period of repayment. The bill would bar offerings of "\$1 down and \$1 a week", but vague language such as "easy credit" need not be spelled out. The Senate had not considered this, but accepted the House provision.

Revolving Credit. The bill requires department stores charging interest on unpaid charge accounts to state interest charges at both monthly and annual rates. They may also state the "effective rate" charged if they can show that because of grace periods allowed or repayment in less than a year the average customer pays less than the "nominal annual rate."

\$10 Exemption. The House had eliminated a Senate provision exempting from disclosure charges on installment buying (not revolving credit) where finance costs were \$10 or less. This was modified to permit exempting costs up to \$7.50 in some cases.

Loan Sharks. The conferees rewrote a House provision to come up with a stronger Federal law to crack down on loan sharks. The final version defined loan sharks as lenders charging more than 45 per cent annual interest or using threat of violence or other illegal means to collect. For the first time, Federal law enforcement officials could investigate and police loan sharks.

Second Mortgages. The bill would still require lenders to inform homeowners that papers they were given to sign were second mortgages. But instead of requiring notice three days in advance, the bill would give the homeowner three days after signing to withdraw.

Mortgages. Dropped was a requirement that first mortgages state the total, interest charges during the life of the mortgage.

Advisory Commission. The conferees added a provision creating a national advisory commission to make a two-year study in the field of consumer credit costs.

Other Credit. The bill also requires full disclosure of actual credit costs for all other purchases or loans—such as bank loans and auto purchases in addition to revolving credit purchases—but these provisions were not in dispute at the conference.

(Mr. PATMAN asked and was given permission to extend his remarks at this point in the RECORD, and to include extraneous matter.)

[Mr. PATMAN'S remarks will appear hereafter in the Extensions of Remarks.]

(Mr. PATMAN asked and was given permission to extend his remarks at this point in the RECORD, and to include extraneous matter.)

[Mr. PATMAN'S remarks will appear hereafter in the Extensions of Remarks.]

CONGRESSMAN SAMUEL S. STRATTON REPORTS TO THE 35TH DISTRICT ON THE RECORD OF THE FIRST SESSION OF THE 90TH CONGRESS

(Mr. STRATTON asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. STRATTON. Mr. Speaker, I take this time, belated as the occasion is, to give the people of the 35th District of New York a summary of the accomplishments of the first session of this 90th Congress. Each year I have made such a report immediately after the end of the session. But when the session ended last December I was in Asia on an inspection trip as a member of the National Defense Posture Subcommittee and thus was unable to prepare and circulate my report at the usual time. Since then the demands of the present session have further delayed this document.

MAJOR LEGISLATION

The first session was not the most productive one I have seen, but it did generate a number of significant pieces of legislation. For example:

A measure boosting social security benefits by 12½ percent, and increasing the amount recipients may earn on the outside without losing their benefits something I have long urged.

Included in this new law were some very strict limits placed on the costs of State-supported medicaid plans; such as the one now operating in New York. This represented victory in my long fight to cut the heavy costs of medicaid, and in the long run will have the American taxpayers as much as \$1.5 billion a year.

Pay of postal and other Federal employees was raised in two stages, bringing their earnings more into line with comparable private jobs. The same bill also raised rates for all three classes of mail.

We extended the draft for another 4 years. College deferments were retained but deferments for graduate students were ended.

Adam Clayton Powell was denied a House seat early in the session, in part because he had defied the New York courts and could not enter his own district without being arrested.

In the wake of the Powell and Dodd cases the House created a special committee to establish ethical standards of congressional conduct.

Additional funds were voted to continue the war in Vietnam and furnish economic help to the civilian government of South Vietnam.

Faced with an increasingly large budget deficit, Congress insisted on sharp spending cuts, and ended the year by reducing the President's budget more than \$6 billion.

A bill was passed and sent to the Senate to punish those inciting to riots and other violence.

Another measure was sent to the Senate to help local police departments deal more effectively with crime and rioting.

A bill was also sent to the Senate to make it a crime to deface or burn the American flag.

A move was begun to transform the old Union Station in Washington into a National Visitors Center. If successful this should put an end to the drive to spend \$34 million to extend the west front of the Capitol, something, as you know, I have long opposed.

A new, tougher Federal meat inspection law was enacted.

A bill to give the Nation's Reserve Forces more permanent status was also passed.

The government of the District of the District of Columbia was reorganized to make it more representative and effective.

Legislation was passed to provide \$40 million for the rat control. I supported the bill. An earlier measure, however, which would have created a new Government bureau for this purpose, was defeated since it would have meant an unwarranted expansion of the bureaucracy.

STRATTON LEGISLATIVE ACCOMPLISHMENTS

I regard enactment of the amendments putting strict cost limits on the medicaid program as my major legislative accomplishment. I introduced such legislation nearly 2 years ago and pushed hard with the Ways and Means Committee for its adoption.

Of course the major share of my time and attention was devoted to the work of my own Armed Services Committee. The Subcommittee on Antisubmarine Warfare, which I chair, continued its inquiry into the adequacy of our defenses against the growing Soviet submarine threat. In addition I made two trips to Vietnam and other parts of Asia as a member of two other subcommittees, subsequently reported on my conclusions from these visits, and spoke dozens of times before all kinds of groups and organizations about Vietnam, illustrating these talks with colored slides I took with my own camera.

I have also been active in other legislative areas, helping to move various matters through legislative and administrative channels.

For example, my 10-year fight to put several of our major holidays on Mondays moved much closer to victory as formal hearings were held in both the House and in the Senate. My legislation was later reported by the Rogers subcommittee to the full House Judiciary Committee, and further action is expected.

Congress still refuses to approve the costly \$34 million proposal to extend the west front of the Capitol, so we are winning that fight.

I also won my fight to prevent the De-

fense Department from moving the east coast branch of our Defense Language Institute to western Texas. Secretary McNamara caved in completely on that one.

My bill to stop foreign dairy imports was not enacted, but the President did impose similar restrictions by Executive order. The Department of Agriculture also approved increases in the price paid to dairy farmers for fluid milk.

The drive I began 2 years ago to force General De Gaulle to pay up his World War I debts by boycotting French wines and substituting New York Finger Lakes wines has continued to pick up support in Congress and across the country.

Congress refused to appropriate further funds to carry out the controversial highway beautification program. I had opposed the original legislation because of damage it could do to upstate New York's tourist industry, and had sought to amend the basic law.

At my insistence funds were included in the military construction program to rehabilitate Army Reserve and National Guard training facilities at Camp Drum, an installation long neglected for southern training sites.

Late last year I protested an Army requirement that personnel serving in Korea make "voluntary" contributions out of their own pockets to hire Korean civilians to perform KP duties. In response to my demand the Defense Department early this year announced plans to begin a phase out of all KP operations and hire civilians on a regular basis, as I had originally recommended.

I have continued to push for improved airline service and safety. Two years ago I called attention to the practice on some airlines of refusing to serve meals to military standbys. As a result of that protest airlines now serve meals regularly to all military standbys.

Last summer I called attention to the hazards disclosed by the midair collision in North Carolina that claimed the lives of a new secretary of Navy-designate, his wife, and young son. As a result of public interest stimulated by these comments Congress appropriated special funds to improve safety procedures at several airports including those not adequately equipped to handle modern jet airliners.

In February 1967 I was named chairman of a Special Subcommittee To Investigate the Tragic Fire at Brooks Air Force Base in Texas, which claimed the lives of two young airmen, one from Auburn, in an experimental oxygen atmosphere test chamber. The circumstances of this fire were very similar to the Apollo fire which claimed the lives of three astronauts only 2 weeks earlier. Our subcommittee's findings were made public and led to important safety changes in both military experiments and space activities designed to prevent similar tragedies in the future.

LOCAL ACCOMPLISHMENTS

During the year actions by Congress or other agencies of the Federal Government have resulted in benefits to communities, groups, industries, and individuals in our congressional district. Let me mention some of the highlights.

In response to pleas by myself and others the Department of Agriculture

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued May 21, 1968
For actions of May 20, 1968
90th-2nd; No. 86

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HIGHLIGHT: Senate passed bills on emergency credit and watershed construction.

HOUSE

1. **LOANS.** Passed under suspension of the rules H. R. 16674, to amend the Federal Farm Loan Act and the Farm Credit Act of 1933 so as to authorize Federal intermediate credit banks to issue securities and sell them on the general market, to increase the debt ratio from the present 12 to 1 to a ratio of 20 to 1 (the

same as the Federal land banks), and authorize the intermediate credit banks to periodically adjust investments of the production credit associations. pp. H3931, H3935-6

Received the conference report on S. 5, the truth-in-lending bill (H. Rept. 1397). pp. H3947-56

At the request of Rep. Hall, passed over H. J. Res. 1227, to authorize the temporary funding of the emergency credit revolving fund. p. H3931

2. WEATHER RESEARCH. Passed with amendment S. Con. Res. 67, requesting the President to insure U. S. benefits from an expanded international effort to increase the accuracy and extend the time range of weather predictions. H. Con. Res. 73 a similar measure, was laid on the table. pp. H3934-5, H3938-9
3. ASSAULT STATUTE. Passed, 333-5, under suspension of the rules H. R. 15387, to extend the "assault statute" so as to make it a Federal offense to interfere with the work of postal employees. pp. H3939-45
4. FOOD STAMPS. Rep. Price, Ill., recommended expansion of the food stamp program. p. H3928
5. TAXATION; EXPENDITURES. Rep. Pelly said "as of today" the taxation-expenditures bill would not pass, and he deplored this situation. p. H3928
Rep. Hanna asked that the taxation-expenditures bill be considered promptly and said inflation is causing higher interest rates and more imports. p. H3929
6. ELECTRIFICATION. Rep. Mayne commended electric cooperatives and investor-owned utilities for working together in Iowa. pp. H3992-3
7. INTEREST RATES. Rep. Patman blamed the Federal Reserve System for increases in interest rates. pp. H4001-5

SENATE

8. LOANS. Passed without amendment H. R. 15364, to provide for increased U. S. participation in the Inter-American Development Bank. At the request of Sen. Mansfield the following excerpt from the committee report was inserted: The bill would "authorize the U. S. Governor of the Bank (the Secretary of the Treasury) to vote in favor of a \$1 billion increase in the Bank's authorized callable capital stock...to agree on behalf of the United States to subscribe this Nation's proportionate share of the increase, amounting to \$411,760,000" (pp. S5857-9). This bill will now be sent to the President.
Passed without amendment S. J. Res. 168, to authorize the temporary funding of the emergency fund. At the request of Sen. Mansfield the following excerpt from the committee report was inserted: "This joint resolution would direct the Commodity Credit Corporation to advance up to \$30 million to the emergency credit revolving fund. The advances would later be repaid with interest out of appropriations to the fund." p. S5857
9. WATERSHEDS. Passed as reported S. 2276, to amend the Watershed Protection and Flood Prevention Act to permit the Secretary of Agriculture to contract for the construction of works of improvement upon request of local organizations.

CONSUMER CREDIT PROTECTION ACT

MAY 20, 1968.—Ordered to be printed

Mr. PATMAN, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany S. 5]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:

§ 1. *Short title of entire Act*

This Act may be cited as the Consumer Credit Protection Act.

TITLE I—CONSUMER CREDIT COST DISCLOSURE

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CHAPTER 1—GENERAL PROVISIONS

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§ 101. Short title

This title may be cited as the Truth in Lending Act.

§ 102. Findings and declaration of purpose

The Congress finds that economic stabilization would be enhanced and the competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. The informed use of credit results from an awareness of the cost thereof by consumers. It is the purpose of this title to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit.

§ 103. Definitions and rules of construction

(a) *The definitions and rules of construction set forth in this section are applicable for the purposes of this title.*

(b) *The term "Board" refers to the Board of Governors of the Federal Reserve System.*

(c) *The term "organization" means a corporation, government or governmental subdivision or agency, trust, estate, partnership, cooperative, or association.*

(d) *The term "person" means a natural person or an organization.*

(e) *The term "credit" means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.*

(f) *The term "creditor" refers only to creditors who regularly extend, or arrange for the extension of, credit for which the payment of a finance charge is required, whether in connection with loans, sales of property or services, or otherwise. The provisions of this title apply to any such creditor, irrespective of his or its status as a natural person or any type of organization.*

(g) *The term "credit sale" refers to any sale with respect to which credit is extended or arranged by the seller. The term includes any contract in the form of a bailment or lease if the bailee or lessee contracts to pay as compensation for use a sum substantially equivalent to or in excess of the aggregate value of the property and services involved and it is agreed that the bailee or lessee will become, or for no other or a nominal consideration has the option to become, the owner of the property upon full compliance with his obligations under the contract.*

(h) *The adjective "consumer", used with reference to a credit transaction, characterizes the transaction as one in which the party to whom credit is offered or extended is a natural person, and the money, property, or services which are the subject of the transaction are primarily for personal, family, household, or agricultural purposes.*

(i) *The term "open end credit plan" refers to a plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.*

(j) The term "State" refers to any State, the Commonwealth of Puerto Rico, the District of Columbia, and any territory or possession of the United States.

(k) Any reference to any requirement imposed under this title or any provision thereof includes reference to the regulations of the Board under this title or the provision thereof in question.

(l) The disclosure of an amount or percentage which is greater than the amount or percentage required to be disclosed under this title does not in itself constitute a violation of this title.

§ 104. Exempted transactions

This title does not apply to the following:

(1) Credit transactions involving extensions of credit for business or commercial purposes, or to governments or governmental agencies or instrumentalities, or to organizations.

(2) Transactions in securities or commodities accounts by a broker-dealer registered with the Securities and Exchange Commission.

(3) Credit transactions, other than real property transactions, in which the total amount to be financed exceeds \$25,000.

(4) Transactions under public utility tariffs, if the Board determines that a State regulatory body regulates the charges for the public utility services involved, the charges for delayed payment, and any discount allowed for early payment.

§ 105. Regulations

The Board shall prescribe regulations to carry out the purposes of this title. These regulations may contain such classifications, differentiations, or other provisions, and may provide for such adjustments and exceptions for any class of transactions, as in the judgment of the Board are necessary or proper to effectuate the purposes of this title, to prevent circumvention or evasion thereof, or to facilitate compliance therewith.

§ 106. Determination of finance charge

(a) Except as otherwise provided in this section, the amount of the finance charge in connection with any consumer credit transaction shall be determined as the sum of all charges, payable directly or indirectly by the person to whom the credit is extended, and imposed directly or indirectly by the creditor as an incident to the extension of credit, including any of the following types of charges which are applicable:

(1) Interest, time price differential, and any amount payable under a point, discount, or other system of additional charges.

(2) Service or carrying charge.

(3) Loan fee, finder's fee, or similar charge.

(4) Fee for an investigation or credit report.

(5) Premium or other charge for any guarantee or insurance protecting the creditor against the obligor's default or other credit loss.

(b) Charges or premiums for credit life, accident, or health insurance written in connection with any consumer credit transaction shall be included in the finance charge unless

(1) the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this fact is clearly disclosed in writing to the person applying for or obtaining the extension of credit; and

(2) in order to obtain the insurance in connection with the extension of credit, the person to whom the credit is extended must give specific affirmative written indication of his desire to do so after written disclosure to him of the cost thereof.

(c) Charges or premiums for insurance, written in connection with any consumer credit transaction, against loss of or damage to property or against liability arising out of the ownership or use of property, shall be included in the finance charge unless a clear and specific statement in writing is furnished by the creditor to the person to whom the credit is extended, setting forth the cost of the insurance if obtained from or through the creditor, and stating that the person to whom the credit is extended may choose the person through which the insurance is to be obtained.

(d) If any of the following items is itemized and disclosed in accordance with the regulations of the Board in connection with any transaction, then the creditor need not include that item in the computation of the finance charge with respect to that transaction:

(1) Fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to the credit transaction.

(2) The premium payable for any insurance in lieu of perfecting any security interest otherwise required by the creditor in connection with the transaction, if the premium does not exceed the fees and charges described in paragraph (1) which would otherwise be payable.

(3) Taxes.

(4) Any other type of charge which is not for credit and the exclusion of which from the finance charge is approved by the Board by regulation.

(e) The following items, when charged in connection with any extension of credit secured by an interest in real property, shall not be included in the computation of the finance charge with respect to that transaction:

(1) Fees or premiums for title examination, title insurance, or similar purposes.

(2) Fees for preparation of a deed, settlement statement, or other documents.

(3) Escrows for future payments of taxes and insurance.

(4) Fees for notarizing deeds and other documents.

(5) Appraisal fees.

(6) Credit reports.

§ 107. Determination of annual percentage rate

(a) The annual percentage rate applicable to any extension of consumer credit shall be determined, in accordance with the regulations of the Board,

(1) in the case of any extension of credit other than under an open end credit plan, as

(A) that nominal annual percentage rate which will yield a sum equal to the amount of the finance charge when it is applied to the unpaid balances of the amount financed, calculated according to the actuarial method of allocating payments made on a debt between the amount financed and the amount of the finance charge, pursuant to which a payment is applied first to the accumulated finance charge and the balance is applied to the unpaid amount financed; or

(B) the rate determined by any method prescribed by the Board as a method which materially simplifies computation while retaining reasonable accuracy as compared with the rate determined under subparagraph (A).

(2) in the case of any extension of credit under an open end credit plan, as the quotient (expressed as a percentage) of the total finance charge for the period to which it relates divided by the amount upon which the finance charge for that period is based, multiplied by the number of such periods in a year.

(b) Where a creditor imposes the same finance charge for balances within a specified range, the annual percentage rate shall be computed on the median balance within the range, except that if the Board determines that a rate so computed would not be meaningful, or would be materially misleading, the annual percentage rate shall be computed on such other basis as the Board may by regulation require.

(c) The annual percentage rate may be rounded to the nearest quarter of 1 per centum for credit transactions payable in substantially equal installments when a creditor determines the total finance charge on the basis of a single add-on, discount, periodic, or other rate, and the rate is converted into an annual percentage rate under procedures prescribed by the Board.

(d) The Board may authorize the use of rate tables or charts which may provide for the disclosure of annual percentage rates which vary from the rate determined in accordance with subsection (a)(1)(A) by not more than such tolerances as the Board may allow. The Board may not allow a tolerance greater than 8 per centum of that rate except to simplify compliance where irregular payments are involved.

(e) In the case of creditors determining the annual percentage rate in a manner other than as described in subsection (c) or (d), the Board may authorize other reasonable tolerances.

(f) Prior to January 1, 1971, any rate required under this title to be disclosed as a percentage rate may, at the option of the creditor, be expressed in the form of the corresponding ratio of dollars per hundred dollars.

§ 108. Administrative enforcement

(a) Compliance with the requirements imposed under this title shall be enforced under

(1) section 8 of the Federal Deposit Insurance Act, in the case of

(A) national banks, by the Comptroller of the Currency.

(B) member banks of the Federal Reserve System (other than national banks), by the Board.

(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System), by the Board of Directors of the Federal Deposit Insurance Corporation.

(2) section 5(d) of the Home Owners' Loan Act of 1933, section 407 of the National Housing Act, and sections 6(i) and 17 of the Federal Home Loan Bank Act, by the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), in the case of any institution subject to any of those provisions.

(3) the Federal Credit Union Act, by the Director of the Bureau of Federal Credit Unions with respect to any Federal credit union.

(4) the Acts to regulate commerce, by the Interstate Commerce Commission with respect to any common carrier subject to those Acts.

(5) the Federal Aviation Act of 1958, by the Civil Aeronautics Board with respect to any air carrier or foreign air carrier subject to that Act.

(6) the Packers and Stockyards Act, 1921 (except as provided in section 406 of that Act, by the Secretary of Agriculture with respect to any activities subject to that Act.

(b) For the purpose of the exercise by any agency referred to in subsection (a) of its powers under any Act referred to in that subsection, a violation of any requirement imposed under this title shall be deemed to be a violation of a requirement imposed under that Act. In addition to its powers under any provision of law specifically referred to in subsection (a), each of the agencies referred to in that subsection may exercise, for the purpose of enforcing compliance with any requirement imposed under this title, any other authority conferred on it by law.

(c) Except to the extent that enforcement of the requirements imposed under this title is specifically committed to some other Government agency under subsection (a), the Federal Trade Commission shall enforce such requirements. For the purpose of the exercise by the Federal Trade Commission of its functions and powers under the Federal Trade Commission Act, a violation of any requirement imposed under this title shall be deemed a violation of a requirement imposed under that Act. All of the functions and powers of the Federal Trade Commission under the Federal Trade Commission Act are available to the Commission to enforce compliance by any person with the requirements imposed under this title, irrespective of whether that person is engaged in commerce or meets any other jurisdictional tests in the Federal Trade Commission Act.

(d) The authority of the Board to issue regulations under this title does not impair the authority of any other agency designated in this section to make rules respecting its own procedures in enforcing compliance with requirements imposed under this title.

§ 109. Views of other agencies

In the exercise of its functions under this title, the Board may obtain upon request the views of any other Federal agency which, in the judgment of the Board, exercises regulatory or supervisory functions with respect to any class of creditors subject to this title.

§ 110. Advisory committee

The Board shall establish an advisory committee to advise and consult with it in the exercise of its functions under this title. In appointing the members of the committee, the Board shall seek to achieve a fair representation of the interests of sellers of merchandise on credit, lenders, and the public. The committee shall meet from time to time at the call of the Board, and members thereof shall be paid transportation expenses and not to exceed \$100 per diem.

§ 111. Effect on other laws

(a) This title does not annul, alter, or affect, or exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that those laws are inconsistent with the provisions of this title or regulations thereunder, and then only to the extent of the inconsistency.

(b) This title does not otherwise annul, alter or affect in any manner the meaning, scope or applicability of the laws of any State, including,

but not limited to, laws relating to the types, amounts or rates of charges, or any element or elements of charges, permissible under such laws in connection with the extension or use of credit, nor does this title extend the applicability of those laws to any class of persons or transactions to which they would not otherwise apply.

(c) In any action or proceeding in any court involving a consumer credit sale, the disclosure of the annual percentage rate as required under this title in connection with that sale may not be received as evidence that the sale was a loan or any type of transaction other than a credit sale.

(d) Except as specified in sections 125 and 130, this title and the regulations issued thereunder do not affect the validity or enforceability of any contract or obligation under State or Federal law.

§ 112. Criminal liability for willful and knowing violation

Whoever willfully and knowingly

(1) gives false or inaccurate information or fails to provide information which he is required to disclose under the provisions of this title or any regulation issued thereunder,

(2) uses any chart or table authorized by the Board under section 107 in such a manner as to consistently understate the annual percentage rate determined under section 107(a)(1)(A), or

(3) otherwise fails to comply with any requirement imposed under this title,

shall be fined not more than \$5,000 or imprisoned not more than one year, or both.

§ 113. Penalties inapplicable to governmental agencies

No civil or criminal penalty provided under this title for any violation thereof may be imposed upon the United States or any agency thereof, or upon any State or political subdivision thereof, or any agency of any State or political subdivision.

§ 114. Reports by Board and Attorney General

Not later than January 3 of each year after 1969, the Board and the Attorney General shall, respectively, make reports to the Congress concerning the administration of their functions under this title, including such recommendations as the Board and the Attorney General, respectively, deem necessary or appropriate. In addition, each report of the Board shall include its assessment of the extent to which compliance with the requirements imposed under this title is being achieved.

CHAPTER 2—CREDIT TRANSACTIONS

Sec.

121. General requirement of disclosure.

122. Form of disclosure; additional information.

123. Exemption for State-regulated transactions.

124. Effect of subsequent occurrence.

125. Right of rescission as to certain transactions.

126. Content of periodic statements.

127. Open end consumer credit plans.

128. Sales not under open end credit plans.

129. Consumer loans not under open end credit plans.

130. Civil liability.

131. Written acknowledgment as proof of receipt.

§ 121. General requirement of disclosure

(a) Each creditor shall disclose clearly and conspicuously, in accordance with the regulations of the Board, to each person to whom consumer

credit is extended and upon whom a finance charge is or may be imposed, the information required under this chapter.

(b) If there is more than one obligor, a creditor need not furnish a statement of information required under this chapter to more than one of them.

§ 122. Form of disclosure; additional information

(a) Regulations of the Board need not require that disclosures pursuant to this chapter be made in the order set forth in this chapter, and may permit the use of terminology different from that employed in this chapter if it conveys substantially the same meaning.

(b) Any creditor may supply additional information or explanations with any disclosures required under this chapter.

§ 123. Exemption for State-regulated transactions

The Board shall by regulation exempt from the requirements of this chapter any class of credit transactions within any State if it determines that under the law of that State that class of transactions is subject to requirements substantially similar to those imposed under this chapter, and that there is adequate provision for enforcement.

§ 124. Effect of subsequent occurrence

If information disclosed in accordance with this chapter is subsequently rendered inaccurate as the result of any act, occurrence, or agreement subsequent to the delivery of the required disclosures, the inaccuracy resulting therefrom does not constitute a violation of this chapter.

§ 125. Right of rescission as to certain transactions

(a) Except as otherwise provided in this section, in the case of any consumer credit transaction in which a security interest is retained or acquired in any real property which is used or is expected to be used as the residence of the person to whom credit is extended, the obligor shall have the right to rescind the transaction until midnight of the third business day following the consummation of the transaction or the delivery of the disclosures required under this section and all other material disclosures required under this chapter, whichever is later, by notifying the creditor, in accordance with regulations of the Board, of his intention to do so. The creditor shall clearly and conspicuously disclose, in accordance with regulations of the Board, to any obligor in a transaction subject to this section the rights of the obligor under this section. The creditor shall also provide, in accordance with regulations of the Board, an adequate opportunity to the obligor to exercise his right to rescind any transaction subject to this section.

(b) When an obligor exercises his right to rescind under subsection (a), he is not liable for any finance or other charge, and any security interest given by the obligor becomes void upon such a rescission. Within 10 days after receipt of a notice of rescission, the creditor shall return to the obligor any money or property given as earnest money, downpayment, or otherwise, and shall take any action necessary or appropriate to reflect the termination of any security interest created under the transaction. If the creditor has delivered any property to the obligor, the obligor may retain possession of it. Upon the performance of the creditor's obligations under this section, the obligor shall tender the property to the creditor, except that if return of the property in kind would be impracticable or inequitable, the obligor shall tender its reasonable value. Tender shall be

made at the location of the property or at the residence of the obligor, at the option of the obligor. If the creditor does not take possession of the property within ten days after tender by the obligor, ownership of the property vests in the obligor without obligation on his part to pay for it.

(c) Notwithstanding any rule of evidence, written acknowledgment of receipt of any disclosures required under this title by a person to whom a statement is required to be given pursuant to this section does no more than create a rebuttable presumption of delivery thereof.

(d) The Board may, if it finds that such action is necessary in order to permit homeowners to meet bona fide personal financial emergencies, prescribe regulations authorizing the modification or waiver of any rights created under this section to the extent and under the circumstances set forth in those regulations.

(e) This section does not apply to the creation or retention of a first lien against a dwelling to finance the acquisition of that dwelling.

§ 126. Content of periodic statements

If a creditor transmits periodic statements in connection with any extension of consumer credit other than under an open end consumer credit plan, then each of those statements shall set forth each of the following items:

- (1) The annual percentage rate of the total finance charge.
- (2) The date by which, or the period (if any) within which, payment must be made in order to avoid additional finance charges or other charges.
- (3) Such of the items set forth in section 127(b) as the Board may by regulation require as appropriate to the terms and conditions under which the extension of credit in question is made.

§ 127. Open end consumer credit plans

(a) Before opening any account under an open end consumer credit plan, the creditor shall disclose to the person to whom credit is to be extended each of the following items, to the extent applicable:

- (1) The conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge.
- (2) The method of determining the balance upon which a finance charge will be imposed.
- (3) The method of determining the amount of the finance charge, including any minimum or fixed amount imposed as a finance charge.
- (4) Where one or more periodic rates may be used to compute the finance charge, each such rate, the range of balances to which it is applicable, and the corresponding nominal annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

(5) If the creditor so elects,

(A) the average effective annual percentage rate of return received from accounts under the plan for a representative period of time; or

(B) whenever circumstances are such that the computation of a rate under subparagraph (A) would not be feasible or practical, or would be misleading or meaningless, a projected rate of return to be received from accounts under the plan.

The Board shall prescribe regulations, consistent with commonly accepted standards for accounting or statistical procedures, to carry out the purposes of this paragraph.

(6) The conditions under which any other charges may be imposed, and the method by which they will be determined.

(7) The conditions under which the creditor may retain or acquire any security interest in any property to secure the payment of any credit extended under the plan, and a description of the interest or interests which may be so retained or acquired.

(b) The creditor of any account under an open end consumer credit plan shall transmit to the obligor, for each billing cycle at the end of which there is an outstanding balance in that account or with respect to which a finance charge is imposed, a statement setting forth each of the following items to the extent applicable:

(1) The outstanding balance in the account at the beginning of the statement period.

(2) The amount and date of each extension of credit during the period, and, if a purchase was involved, a brief identification (unless previously furnished) of the goods or services purchased.

(3) The total amount credited to the account during the period.

(4) The amount of any finance charge added to the account during the period, itemized to show the amounts, if any, due to the application of percentage rates and the amount, if any, imposed as a minimum or fixed charge.

(5) Where one or more periodic rates may be used to compute the finance charge, each such rate, the range of balances to which it is applicable, and, unless the annual percentage rate (determined under section 107(a)(2)) is required to be disclosed pursuant to paragraph (6), the corresponding nominal annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

(6) Where the total finance charge exceeds 50 cents for a monthly or longer billing cycle, or the pro rata part of 50 cents for a billing cycle shorter than monthly, the total finance charge expressed as an annual percentage rate (determined under section 107(a)(2)), except that if the finance charge is the sum of two or more products of a rate times a portion of the balance, the creditor may, in lieu of disclosing a single rate for the total charge, disclose each such rate expressed as an annual percentage rate, and the part of the balance to which it is applicable.

(7) At the election of the creditor, the average effective annual percentage rate of return (or the projected rate) under the plan as prescribed in subsection (a)(5).

(8) The balance on which the finance charge was computed and a statement of how the balance was determined. If the balance is determined without first deducting all credits during the period, that fact and the amount of such payments shall also be disclosed.

(9) The outstanding balance in the account at the end of the period.

(10) The date by which, or the period (if any) within which, payment must be made to avoid additional finance charges.

(c) In the case of any open end consumer credit plan in existence on the effective date of this subsection, the items described in subsection (a), to the extent applicable, shall be disclosed in a notice mailed or delivered to the obligor not later than thirty days after that date.

§ 128. Sales not under open end credit plans

(a) In connection with each consumer credit sale not under an open end credit plan, the creditor shall disclose each of the following items which is applicable:

- (1) The cash price of the property or service purchased.
- (2) The sum of any amounts credited as downpayment (including any trade-in).
- (3) The difference between the amount referred to in paragraph (1) and the amount referred to in paragraph (2).
- (4) All other charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge.
- (5) The total amount to be financed (the sum of the amount described in paragraph (3) plus the amount described in paragraph (4)).
- (6) Except in the case of a sale of a dwelling, the amount of the finance charge, which may in whole or in part be designated as a time-price differential or any similar term to the extent applicable.
- (7) The finance charge expressed as an annual percentage rate except in the case of a finance charge
 - (A) which does not exceed \$5 and is applicable to an amount financed not exceeding \$75, or
 - (B) which does not exceed \$7.50 and is applicable to an amount financed exceeding \$75.

A creditor may not divide a consumer credit sale into two or more sales to avoid the disclosure of an annual percentage rate pursuant to this paragraph.

(8) The number, amount, and due dates or periods of payments scheduled to repay the indebtedness.

(9) The default, delinquency, or similar charges payable in the event of late payments.

(10) A description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

(b) Except as otherwise provided in this chapter, the disclosures required under subsection (a) shall be made before the credit is extended, and may be made by disclosing the information in the contract or other evidence of indebtedness to be signed by the purchaser.

(c) If a creditor receives a purchase order by mail or telephone without personal solicitation, and the cash price and the deferred payment price and the terms of financing, including the annual percentage rate, are set forth in the creditor's catalog or other printed material distributed to the public, then the disclosures required under subsection (a) may be made at any time not later than the date the first payment is due.

(d) If a consumer credit sale is one of a series of consumer credit sales transactions made pursuant to an agreement providing for the addition of the deferred payment price of that sale to an existing outstanding balance, and the person to whom the credit is extended has approved in writing both the annual percentage rate or rates and the method of computing the finance charge or charges, and the creditor retains no security interest in any property as to which he has received payments aggregating the amount of the sales price including any finance charges attributable thereto, then the disclosure required under subsection (a) for the particular

sale may be made at any time not later than the date the first payment for that sale is due. For the purposes of this subsection, in the case of items purchased on different dates, the first purchased shall be deemed first paid for, and in the case of items purchased on the same date, the lowest priced shall be deemed first paid for.

§ 129. Consumer loans not under open end credit plans

(a) Any creditor making a consumer loan or otherwise extending consumer credit in a transaction which is neither a consumer credit sale nor under an open end consumer credit plan shall disclose each of the following items, to the extent applicable:

(1) The amount of credit of which the obligor will have the actual use, or which is or will be paid to him or for his account or to another person on his behalf.

(2) All charges, individually itemized, which are included in the amount of credit extended but which are not part of the finance charge.

(3) The total amount to be financed (the sum of the amounts referred to in paragraph (1) plus the amounts referred to in paragraph (2)).

(4) Except in the case of a loan secured by a first lien on a dwelling and made to finance the purchase of that dwelling, the amount of the finance charge.

(5) The finance charge expressed as an annual percentage rate except in the case of a finance charge

(A) which does not exceed \$5 and is applicable to an extension of consumer credit not exceeding \$75, or

(B) which does not exceed \$7.50 and is applicable to an extension of consumer credit exceeding \$75.

A creditor may not divide an extension of credit into two or more transactions to avoid the disclosure of an annual percentage rate pursuant to this paragraph.

(6) The number, amount, and the due dates or periods of payments scheduled to repay the indebtedness.

(7) The default, delinquency, or similar charges payable in the event of late payments.

(8) A description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

(b) Except as otherwise provided in this chapter, the disclosures required by subsection (a) shall be made before the credit is extended, and may be made by disclosing the information in the note or other evidence of indebtedness to be signed by the obligor.

(c) If a creditor receives a request for an extension of credit by mail or telephone without personal solicitation and the terms of financing, including the annual percentage rate for representative amounts of credit, are set forth in the creditor's printed material distributed to the public, or in the contract of loan or other printed material delivered to the obligor, then the disclosures required under subsection (a) may be made at any time not later than the date the first payment is due.

§ 130. Civil liability

(a) Except as otherwise provided in this section, any creditor who fails in connection with any consumer credit transaction to disclose to any person any information required under this chapter to be disclosed to that person is liable to that person in an amount equal to the sum of

(1) twice the amount of the finance charge in connection with the transaction, except that the liability under this paragraph shall not be less than \$100 nor greater than \$1,000; and

(2) in the case of any successful action to enforce the foregoing liability, the costs of the action together with a reasonable attorney's fee as determined by the court.

(b) A creditor has no liability under this section if within fifteen days after discovering an error, and prior to the institution of an action under this section or the receipt of written notice of the error, the creditor notifies the person concerned of the error and makes whatever adjustments in the appropriate account are necessary to insure that the person will not be required to pay a finance charge in excess of the amount or percentage rate actually disclosed.

(c) A creditor may not be held liable in any action brought under this section for a violation of this chapter if the creditor shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error.

(d) Any action which may be brought under this section against the original creditor in any credit transaction involving a security interest in real property may be maintained against any subsequent assignee of the original creditor where the assignee, its subsidiaries, or affiliates were in a continuing business relationship with the original creditor either at the time the credit was extended or at the time of the assignment, unless the assignment was involuntary, or the assignee shows by a preponderance of evidence that it did not have reasonable grounds to believe that the original creditor was engaged in violations of this chapter, and that it maintained procedures reasonably adapted to apprise it of the existence of any such violations.

(e) Any action under this section may be brought in any United States district court, or in any other court of competent jurisdiction, within one year from the date of the occurrence of the violation.

§ 131. Written acknowledgment as proof of receipt

Except as provided in section 125(c) and except in the case of actions brought under section 130(d), in any action or proceeding by or against any subsequent assignee of the original creditor without knowledge to the contrary by the assignee when he acquires the obligation, written acknowledgment of receipt by a person to whom a statement is required to be given pursuant to this title shall be conclusive proof of the delivery thereof and, unless the violation is apparent on the face of the statement, of compliance with this chapter. This section does not affect the rights of the obligor in any action against the original creditor.

CHAPTER 3—CREDIT ADVERTISING

Sec.

- 141. Catalogs and multiple-page advertisements.
- 142. Advertising of downpayments and installments.
- 143. Advertising of open end credit plans.
- 144. Advertising of credit other than open end plans.
- 145. Nonliability of media.

§ 141. Catalogs and multiple-page advertisements

For the purposes of this chapter, a catalog or other multiple-page advertisement shall be considered a single advertisement if it clearly and conspicuously displays a credit terms table on which the information required to be stated under this chapter is clearly set forth.

§ 142. Advertising of downpayments and installments

No advertisement to aid, promote, or assist directly or indirectly any extension of consumer credit may state

(1) that a specific periodic consumer credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payments or installments for that period and in that amount.

(2) that a specified downpayment is required in connection with any extension of consumer credit, unless the creditor usually and customarily arranges downpayments in that amount.

§ 143. Advertising of open end credit plans

No advertisement to aid, promote, or assist directly or indirectly the extension of consumer credit under an open end credit plan may set forth any of the specific terms of that plan or the appropriate rate determined under section 127(a)(5) unless it also clearly and conspicuously sets forth all of the following items:

(1) The time period, if any, within which any credit extended may be repaid without incurring a finance charge.

(2) The method of determining the balance upon which a finance charge will be imposed.

(3) The method of determining the amount of the finance charge, including any minimum or fixed amount imposed as a finance charge.

(4) Where periodic rates may be used to compute the finance charge, the periodic rates expressed as annual percentage rates.

(5) Such other or additional information for the advertising of open end credit plans as the Board may by regulation require to provide for adequate comparison of credit costs as between different types of open end credit plans.

§ 144. Advertising of credit other than open end plans

(a) Except as provided in subsection (b), this section applies to any advertisement to aid, promote, or assist directly or indirectly any consumer credit sale, loan, or other extension of credit subject to the provisions of this title, other than an open end credit plan.

(b) The provisions of this section do not apply to advertisements of residential real estate except to the extent that the Board may by regulation require.

(c) If any advertisement to which this section applies states the rate of a finance charge, the advertisement shall state the rate of that charge expressed as an annual percentage rate.

(d) If any advertisement to which this section applies states the amount of the downpayment, if any, the amount of any installment payment, the dollar amount of any finance charge, or the number of installments or the period of repayment, then the advertisement shall state all of the following items:

(1) The cash price or the amount of the loan as applicable.

(2) The downpayment, if any.

(3) The number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended.

(4) The rate of the finance charge expressed as an annual percentage rate.

§ 145. Nonliability of media

There is no liability under this chapter on the part of any owner or personnel, as such, of any medium in which an advertisement appears or through which it is disseminated.

TITLE II—EXTORTIONATE CREDIT TRANSACTIONS

Sec.

201. Findings and purpose.

202. Amendments to title 18, United States Code.

203. Reports by Attorney General.

§ 201. Findings and purpose

(a) The Congress makes the following findings:

(1) Organized crime is interstate and international in character. Its activities involve many billions of dollars each year. It is directly responsible for murders, willful injuries to person and property, corruption of officials, and terrorization of countless citizens. A substantial part of the income of organized crime is generated by extortionate credit transactions.

(2) Extortionate credit transactions are characterized by the use, or the express or implicit threat of the use, of violence or other criminal means to cause harm to person, reputation, or property as a means of enforcing repayment. Among the factors which have rendered past efforts at prosecution almost wholly ineffective has been the existence of exclusionary rules of evidence stricter than necessary for the protection of constitutional rights.

(3) Extortionate credit transactions are carried on to a substantial extent in interstate and foreign commerce and through the means and instrumentalities of such commerce. Even where extortionate credit transactions are purely intrastate in character, they nevertheless directly affect interstate and foreign commerce.

(4) Extortionate credit transactions directly impair the effectiveness and frustrate the purposes of the laws enacted by the Congress on the subject of bankruptcies.

(b) On the basis of the findings stated in subsection (a) of this section, the Congress determines that the provisions of chapter 42 of title 18 of the United States Code are necessary and proper for the purpose of carrying into execution the powers of Congress to regulate commerce and to establish uniform and effective laws on the subject of bankruptcy.

§ 202. Amendments to title 18, United States Code

(a) Title 18 of the United States Code is amended by inserting the following new chapter immediately after chapter 41 thereof:

“CHAPTER 42—EXTORTIONATE CREDIT TRANSACTIONS

“Sec.

“891. Definitions and rules of construction.

“892. Making extortionate extensions of credit.

“893. Financing extortionate extensions of credit.

“894. Collection of extensions of credit by extortionate means.

“895. Immunity of witnesses.

“896. Effect on State laws.

“§ 891. Definitions and rules of construction

“For the purposes of this chapter:

“(1) To extend credit means to make or renew any loan, or to enter into any agreement, tacit or express, whereby the repayment or satisfaction of any debt or claim, whether acknowledged or disputed, valid or invalid, and however arising, may or will be deferred.

“(2) The term ‘creditor’, with reference to any given extension of credit, refers to any person making that extension of credit, or to any person claiming by, under, or through any person making that extension of credit.

“(3) The term ‘debtor’, with reference to any given extension of credit, refers to any person to whom that extension of credit is made, or to any person who guarantees the repayment of that extension of credit, or in any manner undertakes to indemnify the creditor against loss resulting from the failure of any person to whom that extension of credit is made to repay the same.

“(4) The repayment of any extension of credit includes the repayment, satisfaction, or discharge in whole or in part of any debt or claim, acknowledged or disputed, valid or invalid, resulting from or in connection with that extension of credit.

“(5) To collect an extension of credit means to induce in any way any person to make repayment thereof.

“(6) An extortionate extension of credit is any extension of credit with respect to which it is the understanding of the creditor and the debtor at the time it is made that delay in making repayment or failure to make repayment could result in the use of violence or other criminal means to cause harm to the person, reputation, or property of any person.

“(7) An extortionate means is any means which involves the use, or an express or implicit threat of use, of violence or other criminal means to cause harm to the person, reputation, or property of any person.

“(8) The term ‘State’ includes the District of Columbia, the Commonwealth of Puerto Rico, and territories and possessions of the United States.

“(9) State law, including conflict of laws rules, governing the enforceability through civil judicial processes of repayment of any extension of credit or the performance of any promise given in consideration thereof shall be judicially noticed. This paragraph does not impair any authority which any court would otherwise have to take judicial notice of any matter of State law.

“§ 892. Making extortionate extensions of credit

“(a) Whoever makes any extortionate extension of credit, or conspires to do so, shall be fined not more than \$10,000 or imprisoned not more than 20 years, or both.

“(b) In any prosecution under this section, if it is shown that all of the following factors were present in connection with the extension of credit in question, there is *prima facie* evidence that the extension of credit was extortionate, but this subsection is nonexclusive and in no way limits the effect or applicability of subsection (a):

“(1) The repayment of the extension of credit, or the performance of any promise given in consideration thereof, would be unenforceable, through civil judicial processes against the debtor

“(A) in the jurisdiction within which the debtor, if a natural person, resided or

“(B) in every jurisdiction within which the debtor, if other than a natural person, was incorporated or qualified to do business

at the time the extension of credit was made.

“(2) The extension of credit was made at a rate of interest in excess of an annual rate of 45 per centum calculated according to the actuarial method of allocating payments made on a debt between principal and interest, pursuant to which a payment is applied first

to the accumulated interest and the balance is applied to the unpaid principal.

“(3) At the time the extension of credit was made, the debtor reasonably believed that either

“(A) one or more extensions of credit by the creditor had been collected or attempted to be collected by extortionate means, or the nonrepayment thereof had been punished by extortionate means; or

“(B) the creditor had a reputation for the use of extortionate means to collect extensions of credit or to punish the nonrepayment thereof.

“(4) Upon the making of the extension of credit, the total of the extensions of credit by the creditor to the debtor then outstanding, including any unpaid interest or similar charges, exceeded \$100.

“(c) In any prosecution under this section, if evidence has been introduced tending to show the existence of any of the circumstances described in subsection (b)(1) or (b)(2), and direct evidence of the actual belief of the debtor as to the creditor’s collection practices is not available, then for the purpose of showing the understanding of the debtor and the creditor at the time the extension of credit was made, the court may in its discretion allow evidence to be introduced tending to show the reputation as to collection practices of the creditor in any community of which the debtor was a member at the time of the extension.

“§ 893. Financing extortionate extensions of credit

“Whoever willfully advances money or property, whether as a gift, as a loan, as an investment, pursuant to a partnership or profit-sharing agreement, or otherwise, to any person, with reasonable grounds to believe that it is the intention of that person to use the money or property so advanced directly or indirectly for the purpose of making extortionate extensions of credit, shall be fined not more than \$10,000 or an amount not exceeding twice the value of the money or property so advanced, whichever is greater, or shall be imprisoned not more than 20 years, or both.

“§ 894. Collection of extensions of credit by extortionate means

“(a) Whoever knowingly participates in any way, or conspires to do so, in the use of any extortionate means

“(1) to collect or attempt to collect any extension of credit, or

“(2) to punish any person for the nonrepayment thereof,

shall be fined not more than \$10,000 or imprisoned not more than 20 years, or both.

“(b) In any prosecution under this section, for the purpose of showing an implicit threat as a means of collection, evidence may be introduced tending to show that one or more extensions of credit by the creditor were, to the knowledge of the person against whom the implicit threat was alleged to have been made, collected or attempted to be collected by extortionate means or that the nonrepayment thereof was punished by extortionate means.

“(c) In any prosecution under this section, if evidence has been introduced tending to show the existence, at the time the extension of credit in question was made, of the circumstances described in section 892(b)(1) or the circumstances described in section 892(b)(2), and direct evidence of the actual belief of the debtor as to the creditor’s collection practices is not available, then for the purpose of showing that words or other means of communication, shown to have been employed as a means of collection, in

fact carried an express or implicit threat, the court may in its discretion allow evidence to be introduced tending to show the reputation of the defendant in any community of which the person against whom the alleged threat was made was a member at the time of the collection or attempt at collection.

"§ 895. Immunity of witnesses

"Whenever in the judgment of a United States attorney the testimony of any witness, or the production of books, papers, or other evidence by any witness in any case or proceeding before any grand jury or court of the United States involving any violation of this chapter is necessary to the public interest, he, upon the approval of the Attorney General or his designated representative, may make application to the court that the witness be instructed to testify or produce evidence subject to the provisions of this section. Upon order of the court the witness shall not be excused from testifying or from producing books, papers, or other evidence on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture. But no such witness may be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, nor may testimony so compelled be used as evidence in any criminal proceeding against him in any court, except a prosecution for perjury or contempt committed while giving testimony or producing evidence under compulsion as provided in this section.

"§ 896. Effect on State laws

"This chapter does not preempt any field of law with respect to which State legislation would be permissible in the absence of this chapter. No law of any State which would be valid in the absence of this chapter may be held invalid or inapplicable by virtue of the existence of this chapter, and no officer, agency, or instrumentality of any State may be deprived by virtue of this chapter of any jurisdiction over any offense over which it would have jurisdiction in the absence of this chapter."

(b) The table of chapters captioned "Part I—Crimes" at the beginning of part I of title 18 of the United States Code is amended by inserting

"42. Extortionate credit transactions----- 891"
immediately above

"43. False personation----- 911".

§ 203. Reports by Attorney General

The Attorney General shall make an annual report to Congress of the activities of the Department of Justice in the enforcement of chapter 42 of title 18 of the United States Code.

TITLE III—RESTRICTION ON GARNISHMENT

Sec.

301. Findings and purpose.

302. Definitions.

303. Restriction on garnishment.

304. Restriction on discharge from employment by reason of garnishment.

305. Exemption for State-regulated garnishments.

306. Enforcement by Secretary of Labor.

307. Effect on State laws.

§ 301. Findings and purpose

(a) *The Congress finds:*

(1) *The unrestricted garnishment of compensation due for personal services encourages the making of predatory extensions of credit. Such extensions of credit divert money into excessive credit payments and thereby hinder the production and flow of goods in interstate commerce.*

(2) *The application of garnishment as a creditors' remedy frequently results in loss of employment by the debtor, and the resulting disruption of employment, production, and consumption constitutes a substantial burden on interstate commerce.*

(3) *The great disparities among the laws of the several States relating to garnishment have, in effect, destroyed the uniformity of the bankruptcy laws and frustrated the purposes thereof in many areas of the country.*

(b) *On the basis of the findings stated in subsection (a) of this section, the Congress determines that the provisions of this title are necessary and proper for the purpose of carrying into execution the powers of the Congress to regulate commerce and to establish uniform bankruptcy laws.*

§ 302. Definitions

For the purposes of this title:

(a) *The term "earnings" means compensation paid or payable for personal services, whether denominated as wages, salary, commission, bonus, or otherwise, and includes periodic payments pursuant to a pension or retirement program.*

(b) *The term "disposable earnings" means that part of the earnings of any individual remaining after the deduction from those earnings of any amounts required by law to be withheld.*

(c) *The term "garnishment" means any legal or equitable procedure through which the earnings of any individual are required to be withheld for payment of any debt.*

§ 303. Restriction on garnishment

(a) *Except as provided in subsection (b) and in section 305, the maximum part of the aggregate disposable earnings of an individual for any workweek which is subjected to garnishment may not exceed*

(1) *25 per centum of his disposable earnings for that week, or*

(2) *the amount by which his disposable earnings for that week exceed thirty times the Federal minimum hourly wage prescribed by section 6(a)(1) of the Fair Labor Standards Act of 1938 in effect at the time the earnings are payable,*

whichever is less. In the case of earnings for any pay period other than a week, the Secretary of Labor shall by regulation prescribe a multiple of the Federal minimum hourly wage equivalent in effect to that set forth in paragraph (2).

(b) *The restrictions of subsection (a) do not apply in the case of*

(1) *any order of any court for the support of any person.*

(2) *any order of any court of bankruptcy under chapter XIII of the Bankruptcy Act.*

(3) *any debt due for any State or Federal tax.*

(c) *No court of the United States or any State may make, execute, or enforce any order or process in violation of this section.*

§ 304. Restriction on discharge from employment by reason of garnishment

(a) No employer may discharge any employee by reason of the fact that his earnings have been subjected to garnishment for any one indebtedness.

(b) Whoever willfully violates subsection (a) of this section shall be fined not more than \$1,000, or imprisoned not more than one year, or both.

§ 305. Exemption for State-regulated garnishments

The Secretary of Labor may by regulation exempt from the provisions of section 303(a) garnishments issued under the laws of any State if he determines that the laws of that State provide restrictions on garnishment which are substantially similar to those provided in section 303(a).

§ 306. Enforcement by Secretary of Labor

The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this title.

§ 307. Effect on State laws

This title does not annul, alter, or affect, or exempt any person from complying with, the laws of any State

(1) prohibiting garnishments or providing for more limited garnishments than are allowed under this title, or

(2) prohibiting the discharge of any employee by reason of the fact that his earnings have been subjected to garnishment for more than one indebtedness.

TITLE IV—NATIONAL COMMISSION ON CONSUMER FINANCE

Sec.

401. Establishment.

402. Membership of the Commission.

403. Compensation of members.

404. Duties of the Commission.

405. Powers of the Commission.

406. Administrative arrangements.

407. Authorization of appropriations.

§ 401. Establishment

There is established a bipartisan National Commission on Consumer Finance, referred to in this title as the "Commission".

§ 402. Membership of the Commission

(a) The Commission shall be composed of nine members, of whom

(1) three are Members of the Senate appointed by the President of the Senate;

(2) three are Members of the House of Representatives appointed by the Speaker of the House of Representatives; and

(3) three are persons not employed in a full-time capacity by the United States appointed by the President, one of whom he shall designate as Chairman.

(b) A vacancy in the Commission does not affect its powers and may be filled in the same manner as the original appointment.

(c) Five members of the Commission constitute a quorum.

§ 403. Compensation of members

(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) *Each member of the Commission who is appointed by the President may receive compensation at a rate of \$100 for each day he is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 5703) for persons in the Government service employed intermittently.*

§ 404. Duties of the Commission

(a) *The Commission shall study and appraise the functioning and structure of the consumer finance industry, as well as consumer credit transactions generally. The Commission, in its report and recommendations to the Congress, shall include treatment of the following topics:*

(1) *The adequacy of existing arrangements to provide consumer credit at reasonable rates.*

(2) *The adequacy of existing supervisory and regulatory mechanisms to protect the public from unfair practices, and insure the informed use of consumer credit.*

(3) *The desirability of Federal chartering of consumer finance companies, or other Federal regulatory measures.*

(b) *The Commission may make interim reports and shall make a final report of its findings, recommendations, and conclusions to the President and to the Congress by January 1, 1971.*

§ 405. Powers of the Commission

(a) *The Commission, or any three members thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinion pertinent to the study. In connection therewith the Commission is authorized by majority vote*

(1) *to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine.*

(2) *to administer oaths.*

(3) *to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties.*

(4) *in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order.*

(5) *in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above.*

(6) *to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.*

(b) *Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.*

(c) *The Commission may require directly from the head of any Federal executive department or independent agency available information which the Commission deems useful in the discharge of its duties. All departments and independent agencies of the Government shall cooperate with*

the Commission and furnish all information requested by the Commission to the extent permitted by law.

(d) The Commission may enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conduct of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it may publish the information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff. The Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying those documents as need may arise.

(f) The Commission may delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the conduct of its business, except as otherwise provided in this title.

§ 406. Administrative arrangements

(a) The Commission may, without regard to the provisions of title 5, United States Code, relating to appointments in the competitive service or to classification and General Schedule pay rates, appoint and fix the compensation of an executive director. The executive director, with the approval of the Commission, shall employ and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed may receive compensation in excess of the rate authorized for GS-18 under the General Schedule.

(b) The executive director, with the approval of the Commission, may obtain services in accordance with section 3109 of title 5 of the United States Code, but at rates for individuals not to exceed \$100 per diem.

(c) The head of any executive department or independent agency of the Federal Government may detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services. The regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of that Administration for the administrative control of funds apply to appropriations of the Commission.

(e) Ninety days after submission of its final report, as provided in section 404(b), the Commission shall cease to exist.

§ 407. Authorization of appropriations

There are authorized to be appropriated such sums not in excess of \$1,500,000 as may be necessary to carry out the provisions of this title. Any money so appropriated shall remain available to the Commission until the date of its expiration, as fixed by section 406(e).

TITLE V—GENERAL PROVISIONS

Sec.

501. Severability.

502. Captions and catchlines for reference only.

503. Grammatical usages.

504. Effective dates.

§ 501. Severability

If a provision enacted by this Act is held invalid, all valid provisions that are severable from the invalid provision remain in effect. If a provision enacted by this Act is held invalid in one or more of its applications, the provision remains in effect in all valid applications that are severable from the invalid application or applications.

§ 502. Captions and catchlines for reference only

Captions and catchlines are intended solely as aids to convenient reference, and no inference as to the legislative intent with respect to any provision enacted by this Act may be drawn from them.

§ 503. Grammatical usages

In this Act:

(1) *The word "may" is used to indicate that an action either is authorized or is permitted.*

(2) *The word "shall" is used to indicate that an action is both authorized and required.*

(3) *The phrase "may not" is used to indicate that an action is both unauthorized and forbidden.*

(4) *Rules of law are stated in the indicative mood.*

§ 504. Effective dates

(a) *Except as otherwise specified, the provisions of this Act take effect upon enactment.*

(b) *Chapters 2 and 3 of title I take effect on July 1, 1969.*

(c) *Title III takes effect on July 1, 1970.*

And the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title of the bill and agree to the same.

WRIGHT PATMAN,
WILLIAM A. BARRETT,
LEONOR K. SULLIVAN,
HENRY S. REUSS,
THOMAS L. ASHLEY,
WILLIAM S. MOORHEAD,
WILLIAM B. WIDNALL,
PAUL A. FINO,
FLORENCE P. DWYER,
Managers on the Part of the House.

JOHN SPARKMAN,
WILLIAM PROXMIRE,
EDMUND S. MUSKIE,
WALLACE F. BENNETT,
BOURKE B. HICKENLOOPER,
Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

General Statement

This conference report represents the culmination of a long and arduous struggle. The House Committee on Banking and Currency, on December 13, 1967, reported favorably on the Sullivan bill, H.R. 11601, which passed the House overwhelmingly on February 1, 1968. The House then took up S. 5, struck all after the enacting clause, inserted the text of the House bill, and returned it to the Senate, which asked for a conference.

All of the major provisions of the House bill are retained in the accompanying conference report. In addition to the requirement of disclosure of credit costs in individual transactions, which was all the Senate bill dealt with, the House bill contained provisions relating to credit advertising, loan sharking, and garnishment. The House bill also provided for administrative enforcement by the Federal Trade Commission as to businesses generally, and by the specialized regulatory agencies with respect to those under their respective jurisdictions. The House bill created a study commission on consumer credit generally with full investigative powers, and directed it to report its recommendations for further legislation in this area. Not only does the conference substitute retain all these major affirmative provisions; it also omits or substantially modifies the Senate exemption for first mortgages and the Senate exemptions from annual rate disclosure. In sum, your conferees were able substantially to sustain the position of the House.

SHORT TITLES

Section 1 of the conference substitute retains the "Consumer Credit Protection Act" as the short title for the entire act, as contained in the House bill. Title I of the conference substitute, dealing entirely with the subject matter of S. 5 as it passed the Senate, with the additional disclosure requirements recommended by the House, is designated as the "Truth in Lending Act" under section 101 of the conference substitute.

Title I—Consumer Credit Cost Disclosure

FIRST MORTGAGES

Section 8(4) of the Senate bill exempted first mortgages on real estate from all of the provisions of the act. There was no corresponding provision in the House bill. In the conference substitute, the total finance charge over the life of the mortgage is not required to be

disclosed in connection with a purchase money first mortgage. Such mortgages are also exempted from the requirement that the creditor afford a 3-day right of rescission where a lien is placed on the obligor's dwelling. First mortgages are subject to all other requirements imposed under this title, and there are no exemptions for other types of mortgages.

PROPERTY AND LIABILITY INSURANCE

Under section 202(d) of the House-passed bill, all mandatory charges imposed by a creditor in connection with an extension of credit were required to be included in the finance charge. The language left in some doubt the treatment to be accorded charges such as those for various types of insurance as well as other items which, although not charges for credit, were included in a financing package and were not specifically excluded from the finance charge by other provisions of that section. Under section 3(d)(2)(C) of the Senate bill, premiums for property and liability insurance would be excluded from the finance charge if itemized and disclosed by the creditor. Under section 106(c) of the conference substitute, such an exclusion is permitted, but only if the debtor is clearly informed of his right to choose where to buy such insurance.

CREDIT LIFE AND ACCIDENT AND HEALTH INSURANCE

Section 3(d)(2)(D) of the Senate bill also provided an exclusion for credit life, accident, and health insurance premiums if itemized and disclosed. Under the conference substitute, such charges may not be excluded unless the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this is clearly disclosed to the debtor. The creditor must also disclose to the prospective debtor the cost of such insurance, and may not include it in the financing package unless the debtor gives specific affirmative written indication of his desire to have it. If credit life, accident, or health insurance is written in connection with any consumer credit transaction without complying with all of the foregoing requirements, then its cost must be included in the finance charge under section 106(b) of the conference substitute.

OTHER CHARGES

Section 106(d)(4) of the conference substitute permits the Board to approve by regulation the exclusion of any other type of charge which is not essentially for credit. It is not intended that the Board should exercise this authority except in the case of charges which are reasonable in relation to the benefits conferred on the obligor, and where their inclusion in the package makes economic sense from the standpoint of the obligor, apart from the creditor's merchandising convenience.

PREPAYMENTS

The conferees were agreed that the Federal Reserve Board and other regulatory agencies should provide for the disclosure to the obligor at the time of the completion of a consumer credit transaction of any prepayment penalties in connection with real estate mortgages

or the policy to be followed by the creditor in granting partial refund, if any, of the finance charges in case of substantial prepayment of an installment contract in terms of amount and time.

ADMINISTRATIVE ENFORCEMENT

Section 108 of the conference substitute clarifies the legislative intention that the vesting of sole rulemaking power under title I in the Board of Governors of the Federal Reserve System does not impair the authority of the other agencies having administrative enforcement responsibilities to make rules respecting their own procedures in enforcing compliance. It also makes clear that, except for the exclusions specifically stated in the section, the jurisdiction of the Federal Trade Commission is plenary and attaches to any creditor subject to the title, irrespective of whether the creditor meets any jurisdictional test in the Federal Trade Commission Act.

RIGHT OF RESCISSION

Section 203(e) of the House-passed bill required that the disclosures required under the bill would have to be made at least 3 days before the consummation of any transaction in connection with which a security interest was to be retained or acquired in the obligor's residence. The corresponding provisions in the conference substitute are found in section 125, with substantial modifications. Purchase money first mortgages are exempted altogether from the provisions of section 125. As to other transactions, the obligor is given a right of rescission which runs until midnight of the third business day following consummation of the transaction, or delivery of all material disclosures (including disclosure of the right to rescind without liability), whichever is later. Upon exercise of this right, any security interests created under the transaction are voided, the creditor must refund any advances, and the obligor must tender back any property, or its reasonable value, which he has received from the creditor.

CONTENT OF PERIODIC STATEMENTS

Section 126 of the conference substitute sets forth the requirements with respect to the content of periodic statements in connection with extensions of credit other than those under open end credit plans. The simplest type of statement would be a reminder of payment due on a straight installment contract; that is, a contract which did not provide for any additional purchases to be made under it and where the amounts and the dates of the obligor's obligations were entirely fixed at the time the contract was entered into. In that situation, it is not expected that the Board would require the statement to contain any information other than that provided for in paragraphs (1) and (2); that is, the annual rate and the late payment penalties, if any. If, however, the installment contract were more complex, perhaps providing for the purchase of additional items without entering into a new contract, or containing other terms and conditions which might tend to make it more like revolving credit, then it is expected that under paragraph (3), the Board would require appropriate additional disclosures to obligors.

DISCLOSURE OF CREDITOR'S RATE OF RETURN

The House bill did not mention disclosure of the creditor's rate of return. Section 127(a)(5) specifically authorizes any creditor under an open end consumer credit plan to disclose his average effective annual percentage rate of return or, where that would not be feasible or practical or would be misleading or meaningless, to disclose a projected rate of return. Calculation of both actual and projected rates would be subject to regulations of the Board consistent with commonly accepted standards for accounting or statistical procedures.

MINIMUM CHARGE EXEMPTIONS

The House bill contained no exemptions from the annual rate disclosure requirement, either as to open end accounts or other transactions. The Senate bill did not require rate disclosure with respect to monthly minimum or fixed charges in connection with open end plans, and also provided an absolute exemption from rate disclosure for finance charges less than \$10 in connection with transactions not under open end plans.

Under section 127(b)(6) of the conference substitute, the actual rate need not be disclosed in the periodic statement with respect to an account under an open end plan if the total finance charge does not exceed 50 cents for a billing period of a month or more. In any statement of an account under an open end plan under which a rate may be used to compute the finance charge (even though, for the particular month, the rate may yield a charge below the minimum and thus be inapplicable) the creditor must state the periodic rate and the "nominal" annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

Under sections 128(a)(7) and 129(a)(5), where the amount financed does not exceed \$75, the percentage rate applicable to a finance charge not exceeding \$5 need not be disclosed, and where the amount financed exceeds \$75, the rate applicable to a finance charge not exceeding \$7.50 need not be disclosed. Section 128(a)(7) applies to sales, and section 129(a)(5) to loans, and both prohibit creditors from artificially dividing transactions to avoid the rate disclosure requirement. It is expected that the Board will by regulation deal with the loan renewal problem, as section 129(a)(5) is not intended as a loophole through which creditors may escape rate disclosure by making short-term loans with multiple renewals.

CREDIT ADVERTISING

In general, the substance of the provisions of the House passed bill with respect to advertising were retained, the only changes in conference being to make entirely clear that where any specific credit terms on any type of credit are advertised, all of the material terms must be set forth. The House had provided authority to the Federal Reserve Board to exempt residential real estate advertisements from the advertising requirements of title I. This authority is retained in the conference substitute.

Title II—Extortionate Credit Transactions

Title II of the conference substitute is aimed directly at the activities of organized crime. This title, which passed the House as section 102 of the House's amendment to S. 5, makes it a Federal offense to make extortionate extensions of credit, to finance the making of extortionate extensions of credit, or to collect any extensions of credit by extortionate means.

An extortionate extension of credit is defined as any extension of credit with respect to which it is the understanding of the creditor and the debtor at the time it is made that delay in making repayment or failure to make repayment could result in the use of violence or other criminal means to cause harm to the person, reputation, or property of any person.

Similarly, an extortionate means is defined as any means which involves the use, or an express or implicit threat of use, of violence or other criminal means to cause harm to the person, reputation, or property of any person.

CONSTITUTIONAL BASIS

Article I, section 8, of the Constitution expressly empowers Congress to make "uniform laws on the subject of bankruptcies." In the exercise of this power, Congress has enacted the Bankruptcy Act, which confers on any debtor the statutory right, with certain qualifications, to be discharged of his debts by applying substantially all of his property toward their repayment. It is obvious, however, that obligations as to which there is an understanding that they may be collected by extortionate means, or which are actually so collected, are not susceptible of being "discharged" in bankruptcy in any meaningful sense. Such transactions thus deprive the debtor of a Federal statutory right, and at the same time defeat one of the principal purposes of the Bankruptcy Act, which is to afford insolvent persons the opportunity to make a fresh start. Thus, it seems clearly within the power of the Congress to protect the Federal statutory right, and to assure that the bankruptcy laws will be carried into execution, by enacting legislation to prohibit extortionate credit transactions. In addition, there is ample evidence that such transactions are being carried on on a large scale and that they have a substantial impact on interstate commerce. Section 201 of the conference substitute is an explicit statement of the foregoing rationale.

TECHNICAL STRUCTURE

Section 202 adds to title 18 of the United States Code a new chapter 42 consisting of sections numbered 891 through 896. Section 891 sets forth definitions and rules of construction, the most important of which are the definitions of extortionate extensions of credit and extortionate means, which are quoted above.

EXTORTIONATE EXTENSION OF CREDIT

Section 892(a) provides—

Whoever makes any extortionate extension of credit, or conspires to do so, shall be fined not more than \$10,000 or imprisoned not more than 20 years, or both.

The major difficulty which confronts the prosecution of offenses of this type is the reluctance of the victims to testify. That is, if they are in genuine fear of the consequences of nonpayment, they are apt to be equally or even more in fear of the consequences of testifying as a complaining witness.

PRIMA FACIE CASE

Section 892(b) provides that if certain factors are present in connection with an extension of credit, there is prima facie evidence that the extension of credit is extortionate. These factors are (1) the inability of the creditor to obtain a personal judgment against the debtor for the full obligation; (2) a rate of interest in excess of 45 percent per annum; (3) a reasonable belief on the part of the debtor that the creditor either had used extortionate means in the collection of one or more other extensions of credit, or that he had a reputation for the use of such means; and (4) that the total amount involved between the debtor and the creditor was more than \$100.

In the light of common experience, the inference of the use of extortionate means from the foregoing factors seems strong enough to make it constitutionally permissible to put the burden on the defendant to come forward with evidence to show the innocent nature of the transaction, if such was the case. In arms length transactions, people simply do not lend sums of money at exorbitant rates of interest under circumstances where they cannot enforce the obligation to repay. Where the prosecution has shown the absence of legal means to enforce the obligation, it is a reasonable inference, in the absence of evidence to the contrary, that illegal means were contemplated. Any debtor who deals with a creditor under these circumstances, knowing or reasonably believing that the creditor has used extortionate means in the past, may be fairly surmised to know what he is getting into.

The debtor, of course, may be unavailable or, for reasons already discussed, unwilling to testify. Section 892(c) permits the court, in its discretion, where evidence has already been introduced tending to show either uncollectability or a rate of interest in excess of 45 percent, to allow evidence to be introduced tending to show the reputation as to collection practices of the creditor in any community of which the debtor was a member at the time of the extension of credit. The trial court is in the best possible position to appraise the probative value of such evidence and to weigh that against its possible prejudicial effects. The ban on reputation evidence as part of the prosecution's case in chief has never been absolute, and where, as here, it is directly relevant to the state of mind of the parties in entering into the transaction, there will undoubtedly arise cases where it should very properly be before the trier of facts.

Finally, it is intended that the inference created by the presence of the factors set forth in section 892(b) may be weighed by the jury as evidence. It is not a mere rebuttable presumption, and is not to be treated under the rule adopted in some jurisdictions with respect to such presumptions, which are said to be wholly dispelled by the introduction of any direct evidence.

NONEXCLUSIVENESS OF SECTION 892(b)

It should be emphasized, however, that the offense under section 892, and the only offense, is the making of an extension of credit with the understanding that criminal means may be used to enforce repayment, or conspiracy to make such an extension. Where this offense can be proved by direct evidence, it may be unnecessary for the prosecution to make use of sections 892(b) and 892(c).

Section 892 is in no sense a Federal usury law. The charging of a rate in excess of 45 percent per annum is merely one of a set of factors which, where there is inadequate evidence to explain them, are deemed sufficiently indicative of the existence of criminal means of collection to justify a statutory inference that such means were, in fact, contemplated by the parties.

FINANCING EXTORTIONATE EXTENSIONS OF CREDIT

In organized crime, loan sharking is normally carried out as a multi-level operation. It is the purpose of section 893 to make possible the prosecution of the upper levels of the criminal hierarchy. It should not be supposed that the enactment of this legislation will suddenly do away with the immense practical difficulties which attend any effort to prosecute the top levels of organized crime. Nevertheless, in those instances where legally admissible evidence can be gathered to trace the flow of funds from the upper levels, the legal capability to prosecute the organizers and financiers of the underworld, as well as loan sharks at the operating level, would appear to be a worthwhile weapon to add to the Government's arsenal.

Section 893 has been carefully drawn to preclude the possibility of creating difficulties for legitimate lenders or those who furnish financing to them. It should be noted that no case is made out where it is shown that funds were advanced to a lender who subsequently collected an indebtedness by criminal means. To come within the prohibition of section 893, the financier must have had reasonable grounds to believe that it was the *intention* of the lender to use the funds for extortionate extensions of credit; that is, extensions of credit whose extortionate character is known to both the borrower and the lender at their inception.

EXTORTIONATE COLLECTION

Not everyone who falls into the clutches of a loan shark is necessarily aware at the outset of the nature of the transaction into which he has entered. Moreover, cases will arise where the use of extortionate means of collection can be demonstrated even though it cannot be shown that a bilateral understanding that such would be the case existed at the outset. Section 894(a) covers these situations by making it a criminal offense to collect an indebtedness by extortionate means, regardless of how the indebtedness arose. Section 894(b) merely codifies a principle of evidence which already appears to be recognized in the case law, but whose importance in this area is sufficiently great to make it desirable to leave no doubt whatever as to its applicability. It allows evidence as to other criminal acts by the defendant to be introduced for the purpose of showing the victim's state of mind. Section 894(c) is similar to section 892(c), discussed above, and was included on the basis of the same considerations.

COMPULSORY TESTIMONY

Section 895 authorizes the Government, in any case or proceeding before any grand jury or court involving a violation of this chapter, to compel the testimony of witnesses claiming the fifth amendment privilege against self-incrimination. This may be done, however, only when, in the judgment of the U.S. attorney, the testimony or evidence involved is necessary to the public interest, and then only by order of the court on the application of the U.S. attorney with the approval of the Attorney General or his designated representative. Any witness so compelled to testify or produce evidence is, of course, granted immunity from prosecution on account of the matters as to which he has been compelled to give evidence.

NO PREEMPTION OF STATE LAWS

Section 896 makes clear the congressional intention not to preempt any field in which State law would be valid in the absence of this chapter.

GENERAL APPLICABILITY

The full utility of chapter 42 as a weapon in the war on organized crime obviously cannot be assessed until it has been tested in battle. Some general observations, however, appear to be in order at this point. As noted above, it is not, and is not intended to be, a Federal usury law, nor does it have anything to do with interest rates as such. It is, rather, a deliberate legislative attack on the economic foundations of organized crime. Most of the business of the underworld, whether in loan sharking, gambling, drugs, "protection," or other activities, involves extensions of credit as defined in section 891 at one or more stages. The methods used in the enforcement of such obligations are notorious. Thus, a very large proportion of underworld financial transactions fall within the ban of one or more of the provisions of chapter 42. It may very well develop that this chapter will find as much usefulness in the investigation and prosecution of transactions entirely within the world of organized crime as it does in connection with transactions between those within that world and those who are otherwise outside it. Be that as it may, the conferees wish to leave no doubt of the congressional intention that chapter 42 is a weapon to be used with vigor and imagination against every activity of organized crime that falls within its terms.

REPORTS BY ATTORNEY GENERAL

Because of the far-reaching potentials of chapter 42, the conferees have added a final section to title II requiring the Attorney General to make an annual report to Congress on the activities of the Justice Department in the enforcement of its provisions.

Title III—Restriction on Garnishment

Section 202(a) of the House-passed bill restricted garnishment to an amount not exceeding 10 percent of gross earnings in excess of \$30 per week, and contained no provision for the exemption of any State from the applicability of this rule. The restrictions in section 303(a) of the conference substitute are related to "disposable earnings," defined

as earnings remaining after the deduction of any amounts required by law to be withheld. No garnishment is allowed which would exceed either 25 percent of disposable earnings, or the amount by which the weekly disposable earnings exceed 30 times the Federal minimum hourly wage, whichever is less.

Section 305 authorizes the Secretary of Labor to exempt from the limitation just described any State whose laws provide substantially similar restrictions on garnishment. The remaining provisions of title III of the conference substitute are unchanged, in terms of intended substantive effect, from the provisions of title II of the House bill.

Title IV—National Commission on Consumer Finance

There were no changes of substance in this title, except that the date for the final report of the Commission was changed from December 31, 1969, to January 1, 1971. In the process of evolving the provisions of the conference substitute relating to the exemptions from annual rate disclosure for certain minimum charges (secs. 127(b)(6), 128(a)(7), and 129(a)(5)), the conferees agreed that the Commission should consider whether these exemptions are desirable in the public interest, taking into consideration their impact, if any, on the availability of credit and their relationship to the objectives of the act.

Title V—General Provisions

EFFECTIVE DATES

Under the bill as passed by the House, the disclosure provisions were to take effect on the first day of the ninth calendar month beginning after enactment, and all other provisions were to take effect on enactment. The Senate bill's effective date was July 1, 1969.

The conference substitute provides that the disclosure provisions become effective July 1, 1969, the garnishment provisions become effective July 1, 1970, and all other provisions become effective on enactment.

WRIGHT PATMAN,
WILLIAM A. BARRETT,
LEONOR K. SULLIVAN,
HENRY S. REUSS,
THOMAS L. ASHLEY,
WILLIAM S. MOORHEAD,
WILLIAM B. WIDNALL,
PAUL A. FINO,
FLORENCE P. DWYER,

Managers on the Part of the House.



Mr. Speaker, this legislation provides the opportunity to enhance our Federal investment in the Great Smoky Mountains National Park. I urge the passage of this legislation.

Mr. QUILLEN. Mr. Speaker, will the gentleman yield?

Mr. SAYLOR. I yield to the gentleman.

Mr. QUILLEN. I would like to point out to the distinguished gentleman from Pennsylvania, that I agree with him on what he has said about North Carolina. But I would not want the Members of this House to think that the Great Smokies lies entirely in the State of North Carolina—it does not. A good portion of the park is in the great State of Tennessee, which has contributed greatly in its own resources and in acreage to make this park a reality.

I support this measure but I want the Members of the House to know, that this great beautiful place is situated in the great State of Tennessee.

Mr. SAYLOR. I am happy to have that called to our attention.

What you have stated is true and these States are to be commended for the action they have taken, as well as the State of Virginia for the Blue Ridge Parkway which has also been purchased and given to the Federal Government.

Mr. KYL. Mr. Speaker, will the gentleman yield?

Mr. SAYLOR. I yield to the gentleman.

Mr. KYL. A moment ago the gentleman from Pennsylvania remarked that the Congress had been delinquent in granting the money necessary to purchase the lands which were included in the park. I think this might be the proper time to point out that at the present time we have authorized parks for acquisition with a value somewhere between \$350 million and \$450 million and have not appropriated the funds to purchase those lands. We are that far behind and we are talking about new acquisitions for such things as Redwood Park.

Later this week we will have before us—at least it is scheduled for action this week—a bill which would replenish the land and water conservation fund from which we have been getting most of the money to make these acquisitions.

If we cannot do it through these means, we will have to find other means of providing the funds to buy the lands which are already authorized for acquisition. If we cannot get this fund replenished, I think it is incumbent on some of the people who would vote against that proposal to try to come up with some answers. Or we are simply going to have to stop acquiring land for national parks and similar purposes.

This instance as to North Carolina is not the only one where we made the acquisition without paying and we are about \$350 million or \$400 million behind today.

Mr. SAYLOR. I commend the gentleman from Iowa for bringing this to our attention because later this week there will be a bill on the floor having to deal with a land and water conservation fund which was reported out of the Committee on Interior and Insular Affairs unanimously.

I sincerely hope when that bill is brought up we may have the united support of the Members of the House to give to the Departments of the Interior and Agriculture for acquisition and to the States of the Union for their development and acquisition of State parks and county and city parks the moneys necessary for the acquisition and development of parks in those areas to help take care of the recreation needs of the country.

Mr. Speaker, I urge that the rules be suspended and that this bill be approved.

Mr. TAYLOR. Mr. Speaker, I yield myself such time as I may desire.

(Mr. TAYLOR asked and was given permission to revise and extend his remarks.)

Mr. TAYLOR. Mr. Speaker, last year over 6,700,000 people visited the Smoky Mountains National Park making it the most visited national park in the Nation. Most of these people entered the park on U.S. 441 which runs from Gatlinburg, Tenn., to Cherokee, N.C. The National Park Service states that the most serious traffic problem in any national park in the Nation is in the Smoky Mountains National Park and on Highway 441. On a summer weekend or October weekend traffic is bumper to bumper for 30 miles. It has been referred to as the world's longest parking lot.

In an effort to alleviate this condition and disburse visitors into other sections of the park the National Park Service is seeking to take advantage of the fact that I-40 running from Knoxville to Asheville close to the eastern edge of the park will be completed and opened to traffic this fall.

In 1963 Congress passed a bill authorizing the construction of a scenic road from I-40 to the edge of the Smoky Mountains National Park. The road was to continue inside the park 4 miles to the heart of the Cataloochee Valley which has great potential for development of campsites, picnic areas, nature trails, and so forth.

The 4-mile section of this road located within the park has been completed and is ready for use.

The section of road authorized by the 1963 act was to be a cooperative Federal-State effort. The State of North Carolina has acquired the entire right-of-way for the road and is building an eight-tenths mile connecting road between I-40 and the beginning of the Park Service road. The National Park Service, as authorized by the 1963 act, will construct the entrance road.

As plans have become more definite and detailed, it became evident that the cooperative Federal-State plan required an entrance road of greater length than had been anticipated earlier. It also became evident that in order to build a road of desired standards, that the 1963 authorization was inadequate, and that an increase in the cost limit was necessary.

It is estimated by the National Park Service that highway construction costs in the area have increased 21 percent since 1963.

H.R. 14074 contains the recommended cost increase authorization which amounts to \$1,400,000 and authorizes lengthening the road from 4.2 miles to

5.2 miles and revises the description of the route.

The SPEAKER. The question is on the motion of the gentleman from North Carolina that the House suspend the rules and pass the bill H.R. 14074.

The question was taken, and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

PERMISSION TO FILE CONFERENCE REPORT ON S. 5, TRUTH-IN-LENDING BILL

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that the Committee on Banking and Currency may have until midnight tonight to file a privileged conference report on S. 5, the truth-in-lending bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

CONFERENCE REPORT (H. REPT. No. 1397)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the House amendment insert the following:

"§ 1. Short title of entire Act

"This Act may be cited as the Consumer Credit Protection Act.

"TITLE I—CONSUMER CREDIT COST DISCLOSURE

Chapter	Section
"1. GENERAL PROVISIONS.....	101
"2. CREDIT TRANSACTIONS.....	121
"3. CREDIT ADVERTISING.....	141

"CHAPTER 1—GENERAL PROVISIONS

"Sec.	
"101. Short title.	
"102. Findings and declaration of purpose.	
"103. Definitions and rules of construction.	
"104. Exempted transactions.	
"105. Regulations.	
"106. Determination of finance charge.	
"107. Determination of annual percentage rate.	
"108. Administrative enforcement.	
"109. Views of other agencies.	
"110. Advisory committee.	
"111. Effect on other laws.	
"112. Criminal liability for willful and knowing violation.	
"113. Penalties inapplicable to governmental agencies.	
"114. Reports by Board and Attorney General.	

"§ 101. Short title

"This title may be cited as the Truth in Lending Act.

"§ 102. Findings and declaration of purpose

"The Congress finds that economic stabilization would be enhanced and the competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. The informed use of credit results from an awareness of the

cost thereof by consumers. It is the purpose of this title to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit.

“§ 103. Definitions and rules of construction

“(a) The definitions and rules of construction set forth in this section are applicable for the purposes of this title.

“(b) The term ‘Board’ refers to the Board of Governors of the Federal Reserve System.

“(c) The term ‘organization’ means a corporation, government or governmental subdivision or agency, trust, estate, partnership, cooperative, or association.

“(d) The term ‘person’ means a natural person or an organization.

“(e) The term ‘credit’ means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.

“(f) The term ‘creditor’ refers only to creditors who regularly extend, or arrange for the extension of, credit for which the payment of a finance charge is required, whether in connection with loans, sales of property or services, or otherwise. The provisions of this title apply to any such creditor, irrespective of his or its status as a natural person or any type of organization.

“(g) The term ‘credit sale’ refers to any sale with respect to which credit is extended or arranged by the seller. The term includes any contract in the form of a bailment or lease if the bailee or lessee contracts to pay as compensation for use a sum substantially equivalent to or in excess of the aggregate value of the property and services involved and it is agreed that the bailee or lessee will become, or for no other or a nominal consideration has the option to become, the owner of the property upon full compliance with his obligations under the contract.

“(h) The adjective ‘consumer’, used with reference to a credit transaction, characterizes the transaction as one in which the party to whom credit is offered or extended is a natural person, and the money, property, or services which are the subject of the transaction are primarily for personal, family, household, or agricultural purposes.

“(i) The term ‘open end credit plan’ refers to a plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

“(j) The term ‘State’ refers to any State, the Commonwealth of Puerto Rico, the District of Columbia, and any territory or possession of the United States.

“(k) Any reference to any requirement imposed under this title or any provision thereof includes reference to the regulations of the Board under this title or the provision thereof in question.

“(l) The disclosure of an amount or percentage which is greater than the amount or percentage required to be disclosed under this title does not in itself constitute a violation of this title.

“§ 104. Exempted transactions

“This title does not apply to the following:

“(1) Credit transactions involving extensions of credit for business or commercial purposes, or to governments or governmental agencies or instrumentalities, or to organizations.

“(2) Transactions in securities or commodities accounts by a broker-dealer registered with the Securities and Exchange Commission.

“(3) Credit transactions, other than real property transactions, in which the total amount to be financed exceeds \$25,000.

“(4) Transactions under public utility tariffs, if the Board determines that a State regulatory body regulates the charges for

the public utility services involved, the charges for delayed payment, and any discount allowed for early payment.

“§ 105. Regulations

“The Board shall prescribe regulations to carry out the purposes of this title. These regulations may contain such classifications, differentiations, or other provisions, and may provide for such adjustments and exceptions for any class of transactions, as in the judgment of the Board are necessary or proper to effectuate the purposes of this title, to prevent circumvention or evasion thereof, or to facilitate compliance therewith.

“§ 106. Determination of finance charge

“(a) Except as otherwise provided in this section, the amount of the finance charge in connection with any consumer credit transaction shall be determined as the sum of all charges, payable directly or indirectly by the person to whom the credit is extended, and imposed directly or indirectly by the creditor as an incident to the extension of credit, including any of the following types of charges which are applicable:

“(1) Interest, time price differential, and any amount payable under a point, discount, or other system of additional charges.

“(2) Service or carrying charge.

“(3) Loan fee, finder's fee, or similar charge.

“(4) Fee for an investigation or credit report.

“(5) Premium or other charge for any guarantee or insurance protecting the creditor against the obligor's default or other credit loss.

“(b) Charges or premiums for credit life, accident, or health insurance written in connection with any consumer credit transaction shall be included in the finance charge unless

“(1) the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this fact is clearly disclosed in writing to the person applying for or obtaining the extension of credit; and

“(2) in order to obtain the insurance in connection with the extension of credit, the person to whom the credit is extended must give specific affirmative written indication of his desire to do so after written disclosure to him of the cost thereof.

“(c) Charges or premiums for insurance, written in connection with any consumer credit transaction, against loss of or damage to property or against liability arising out of the ownership or use of property, shall be included in the finance charge unless a clear and specific statement in writing is furnished by the creditor to the person to whom the credit is extended, setting forth the cost of the insurance if obtained from or through the creditor, and stating that the person to whom the credit is extended may choose the person through which the insurance is to be obtained.

“(d) If any of the following items is itemized and disclosed in accordance with the regulations of the Board in connection with any transaction, then the creditor need not include that item in the computation of the finance charge with respect to that transaction:

“(1) Fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to the credit transaction.

“(2) The premium payable for any insurance in lieu of perfecting any security interest otherwise required by the creditor in connection with the transaction, if the premium does not exceed the fees and charges described in paragraph (1) which would otherwise be payable.

“(3) Taxes.

“(4) Any other type of charge which is not for credit and the exclusion of which from

the finance charge is approved by the Board by regulation.

“(e) The following items, when charged in connection with any extension of credit secured by an interest in real property, shall not be included in the computation of the finance charge with respect to that transaction:

“(1) Fees or premiums for title examination, title insurance, or similar purposes.

“(2) Fees for preparation of a deed, settlement statement, or other documents.

“(3) Escrows for future payments of taxes and insurance.

“(4) Fees for notarizing deeds and other documents.

“(5) Appraisal fees.

“(6) Credit reports.

“§ 107. Determination of annual percentage rate

“(a) The annual percentage rate applicable to any extension of consumer credit shall be determined, in accordance with the regulations of the Board,

“(1) in the case of any extension of credit other than under an open end credit plan, as

“(A) that nominal annual percentage rate which will yield a sum equal to the amount of the finance charge when it is applied to the unpaid balances of the amount financed, calculated according to the actuarial method of allocating payments made on a debt between the amount financed and the amount of the finance charge, pursuant to which a payment is applied first to the accumulated finance charge and the balance is applied to the unpaid amount financed; or

“(B) the rate determined by any method prescribed by the Board as a method which materially simplifies computation while retaining reasonable accuracy as compared with the rate determined under subparagraph (A).

“(2) in the case of any extension of credit under an open end credit plan, as the quotient (expressed as a percentage) of the total finance charge for the period to which it relates divided by the amount upon which the finance charge for that period is based, multiplied by the number of such periods in a year.

“(b) Where a creditor imposes the same finance charge for balances within a specified range, the annual percentage rate shall be computed on the median balance within the range, except that if the Board determines that a rate so computed would not be meaningful, or would be materially misleading, the annual percentage rate shall be computed on such other basis as the Board may by regulation require.

“(c) The annual percentage rate may be rounded to the nearest quarter of 1 per centum for credit transactions payable in substantially equal installments when a creditor determines the total finance charge on the basis of a single add-on, discount, periodic, or other rate, and the rate is converted into an annual percentage rate under procedures prescribed by the Board.

“(d) The Board may authorize the use of rate tables or charts which may provide for the disclosure of annual percentage rates which vary from the rate determined in accordance with subsection (a)(1)(A) by not more than such tolerances as the Board may allow. The Board may not allow a tolerance greater than 8 per centum of that rate except to simplify compliance where irregular payments are involved.

“(e) In the case of creditors determining the annual percentage rate in a manner other than as described in subsection (c) or (d), the Board may authorize other reasonable tolerances.

“(f) Prior to January 1, 1971, any rate required under this title to be disclosed as a percentage rate may, at the option of the creditor, be expressed in the form of the corresponding ratio of dollars per hundred dollars.

"§ 108. Administrative enforcement

"(a) Compliance with the requirements imposed under this title shall be enforced under

"(1) section 8 of the Federal Deposit Insurance Act, in the case of

"(A) national banks, by the Comptroller of the Currency.

"(B) member banks of the Federal Reserve System (other than national banks), by the Board.

"(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System), by the Board of Directors of the Federal Deposit Insurance Corporation.

"(2) section 5(d) of the Home Owners' Loan Act of 1933, section 407 of the National Housing Act, and sections 6(i) and 17 of the Federal Home Loan Bank Act, by the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), in the case of any institution subject to any of those provisions.

"(3) the Federal Credit Union Act, by the Director of the Bureau of Federal Credit Unions with respect to any Federal credit union.

"(4) the Acts to regulate commerce, by the Interstate Commerce Commission with respect to any common carrier subject to those Acts.

"(5) the Federal Aviation Act of 1958, by the Civil Aeronautics Board with respect to any air carrier or foreign air carrier subject to that Act.

"(6) the Packers and Stockyards Act, 1921 (except as provided in section 406 of that Act, by the Secretary of Agriculture with respect to any activities subject to that Act.

"(b) For the purpose of the exercise by any agency referred to in subsection (a) of its powers under any Act referred to in that subsection, a violation of any requirement imposed under this title shall be deemed to be a violation of a requirement imposed under that Act. In addition to its powers under any provision of law specifically referred to in subsection (a), each of the agencies referred to in that subsection may exercise, for the purpose of enforcing compliance with any requirement imposed under this title, any other authority conferred on it by law.

"(c) Except to the extent that enforcement of the requirements imposed under this title is specifically committed to some other Government agency under subsection (a), the Federal Trade Commission shall enforce such requirements. For the purpose of the exercise by the Federal Trade Commission of its functions and powers under the Federal Trade Commission Act, a violation of any requirement imposed under this title shall be deemed a violation of a requirement imposed under that Act. All of the functions and powers of the Federal Trade Commission under the Federal Trade Commission Act are available to the Commission to enforce compliance by any person with the requirements imposed under this title, irrespective of whether that person is engaged in commerce or meets any other jurisdictional tests in the Federal Trade Commission Act.

"(d) The authority of the Board to issue regulations under this title does not impair the authority of any other agency designated in this section to make rules respecting its own procedures in enforcing compliance with requirements imposed under this title.

"§ 109. Views of other agencies

"In the exercise of its functions under this title, the Board may obtain upon request the views of any other Federal agency which, in the judgment of the Board, exercises regulatory or supervisory functions with respect to any class of creditors subject to this title.

"§ 110. Advisory committee

"The Board shall establish an advisory committee to advise and consult with it in the exercise of its functions under this title.

In appointing the members of the committee, the Board shall seek to achieve a fair representation of the interests of sellers of merchandise on credit, lenders, and the public. The committee shall meet from time to time at the call of the Board, and members thereof shall be paid transportation expenses and not to exceed \$100 per diem.

"§ 111. Effect on other laws

"(a) This title does not annul, alter, or affect, or exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that those laws are inconsistent with the provisions of this title or regulations thereunder, and then only to the extent of the inconsistency.

"(b) This title does not otherwise annul, alter or affect in any manner the meaning, scope or applicability of the laws of any State, including, but not limited to; laws relating to the types, amounts or rates of charges, or any element or elements of charges, permissible under such laws in connection with the extension or use of credit, nor does this title extend the applicability of those laws to any class of persons or transactions to which they would not otherwise apply.

"(c) In any action or proceeding in any court involving a consumer credit sale, the disclosure of the annual percentage rate as required under this title in connection with that sale may not be received as evidence that the sale was a loan or any type of transaction other than a credit sale.

"(d) Except as specified in sections 125 and 130, this title and the regulations issued thereunder do not affect the validity or enforceability of any contract or obligation under State or Federal law.

"§ 112. Criminal liability for willful and knowing violation

"Whoever willfully and knowingly

"(1) gives false or inaccurate information or fails to provide information which he is required to disclose under the provisions of this title or any regulation issued thereunder,

"(2) uses any chart or table authorized by the Board under section 107 in such a manner as to consistently understate the annual percentage rate determined under section 107(a)(1)(A), or

"(3) otherwise fails to comply with any requirement imposed under this title, shall be fined not more than \$5,000 or imprisoned not more than a year, or both.

"§ 113. Penalties inapplicable to governmental agencies

"No civil or criminal penalty provided under this title for any violation thereof may be imposed upon the United States or any agency thereof, or upon any State or political subdivision thereof, or any agency of any State or political subdivision.

"§ 114. Reports by Board and Attorney General

"Not later than January 3 of each year after 1969, the Board and the Attorney General shall, respectively, make reports to the Congress concerning the administration of their functions under this title, including such recommendations as the Board and the Attorney General, respectively, deem necessary or appropriate. In addition, each report of the Board shall include its assessment of the extent to which compliance with the requirements imposed under this title is being achieved.

"CHAPTER 2—CREDIT TRANSACTIONS

"Sec.

"121. General requirement of disclosure.

"122. Form of disclosure; additional information.

"123. Exemption for State-regulated transactions.

"124. Effect of subsequent occurrence.

"125. Right of rescission as to certain transactions.

"126. Content of periodic statements.

"127. Open end consumer credit plans.

"128. Sales not under open end credit plans.

"129. Consumer loans not under open end credit plans.

"130. Civil liability.

"131. Written acknowledgement as proof of receipt.

"§ 121. General requirement of disclosure

"(a) Each creditor shall disclose clearly and conspicuously, in accordance with the regulations of the Board, to each person to whom consumer credit is extended and upon whom a finance charge is or may be imposed, the information required under this chapter.

"(b) If there is more than one obligor, a creditor need not furnish a statement of information required under this chapter to more than one of them.

"§ 122. Form of disclosure; additional information

"(a) Regulations of the Board need not require that disclosures pursuant to this chapter be made in the order set forth in this chapter, and may permit the use of terminology different from that employed in this chapter if it conveys substantially the same meaning.

"(b) Any creditor may supply additional information or explanations with any disclosures required under this chapter.

"§ 123. Exemption for State-regulated transactions

"The Board shall by regulation exempt from the requirements of this chapter any class of credit transactions within any State if it determines that under the law of that State that class of transactions is subject to requirements substantially similar to those imposed under this chapter, and that there is adequate provision for enforcement.

"§ 124. Effect of subsequent occurrence

"If information disclosed in accordance with this chapter is subsequently rendered inaccurate as the result of any act, occurrence, or agreement subsequent to the delivery of the required disclosures, the inaccuracy resulting therefrom does not constitute a violation of this chapter.

"§ 125. Right of rescission as to certain transactions

"(a) Except as otherwise provided in this section, in the case of any consumer credit transaction in which a security interest is retained or acquired in any real property which is used or is expected to be used as the residence of the person to whom credit is extended, the obligor shall have the right to rescind the transaction until midnight of the third business day following the consummation of the transaction or the delivery of the disclosures required under this section and all other material disclosures required under this chapter, whichever is later, by notifying the creditor in accordance with regulations of the Board, of his intention to do so. The creditor shall clearly and conspicuously disclose, in accordance with regulations of the Board, to any obligor in a transaction subject to this section the rights of the obligor under this section. The creditor shall also provide, in accordance with regulations of the Board, an adequate opportunity to the obligor to exercise his right to rescind any transaction subject to this section.

"(b) When an obligor exercises his right to rescind under subsection (a), he is not liable for any finance or other charge, and any security interest given by the obligor becomes void upon such a rescission. Within 10 days after receipt of a notice of rescission, the creditor shall return to the obligor any money or property given as earnest money, downpayment, or otherwise, and shall take any action necessary or appropriate to reflect

the termination of any security interest created under the transaction. If the creditor has delivered any property to the obligor, the obligor may retain possession of it. Upon the performance of the creditor's obligations under this section, the obligor shall tender the property to the creditor, except that if return of the property in kind would be impracticable or inequitable, the obligor shall tender its reasonable value. Tender shall be made at the location of the property or at the residence of the obligor, at the option of the obligor. If the creditor does not take possession of the property within ten days after tender by the obligor, ownership of the property vests in the obligor without obligation on his part to pay for it.

"(c) Notwithstanding any rule of evidence, written acknowledgement of receipt of any disclosures required under this title by a person to whom a statement is required to be given pursuant to this section does no more than create a rebuttable presumption of delivery thereof.

"(d) The Board may, if it finds that such action is necessary in order to permit homeowners to meet bona fide personal financial emergencies, prescribe regulations authorizing the modification or waiver of any rights created under this section to the extent and under the circumstances set forth in those regulations.

"(e) This section does not apply to the creation or retention of a first lien against a dwelling to finance the acquisition of that dwelling.

"§ 126. Content of periodic statements

"If a creditor transmits periodic statements in connection with any extension of consumer credit other than under an open end consumer credit plan, then each of those statements shall be set forth each of the following items:

"(1) The annual percentage rate of the total finance charge.

"(2) The date by which, or the period (if any) within which, payment must be made in order to avoid additional finance charges or other charges.

"(3) Such of the items set forth in section 127(b) as the Board may by regulation require as appropriate to the terms and conditions under which the extension of credit in question is made.

"§ 127. Open end consumer credit plans

"(a) Before opening any account under an open end consumer credit plan, the creditor shall disclose to the person to whom credit is to be extended each of the following items, to the extent applicable:

"(1) The conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge.

"(2) The method of determining the balance upon which a finance charge will be imposed.

"(3) The method of determining the amount of the finance charge, including any minimum fixed amount imposed as a finance charge.

"(4) Where one or more periodic rates may be used to compute the finance charge, each such rate, the range of balances to which it is applicable, and the corresponding nominal annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

"(5) If the creditor so elects,

"(A) the average effective annual percentage rate of return received from accounts under the plan for a representative period of time; or

"(B) whenever circumstances are such that the computation of a rate under subparagraph (A) would not be feasible or practical, or would be misleading or meaningless, a projected rate of return to be received from accounts under the plan.

The Board shall prescribe regulations, consistent with commonly accepted standards for accounting or statistical procedures, to carry out the purposes of this paragraph.

"(6) The conditions under which any other charges may be imposed, and the method by which they will be determined.

"(7) The conditions under which the creditor may retain or acquire any security interest in any property to secure the payment of any credit extended under the plan, and a description of the interest or interests which may be so retained or acquired.

"(b) The creditor of any account under an open end consumer credit plan shall transmit to the obligor, for each billing cycle at the end of which there is an outstanding balance in that account or with respect to which a finance charge is imposed, a statement setting forth each of the following items to the extent applicable:

"(1) The outstanding balance in the account at the beginning of the statement period.

"(2) The amount and date of each extension of credit during the period, and, if a purchase was involved, a brief identification (unless previously furnished) of the goods or services purchased.

"(3) The total amount credited to the account during the period.

"(4) The amount of any finance charge added to the account during the period, itemized to show the amounts, if any, due to the application of percentage rates and the amount, if any, imposed as a minimum or fixed charge.

"(5) Where one or more periodic rates may be used to compute the finance charge, each such rate, the range of balances to which it is applicable, and, unless the annual percentage rate (determined under section 107 (a) (2)) is required to be disclosed pursuant to paragraph (6), the corresponding nominal annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

"(6) Where the total finance charge exceeds 50 cents for a monthly or longer billing cycle, or the pro rata part of 50 cents for a billing cycle shorter than monthly, the total finance charge expressed as an annual percentage rate (determined under section 107 (a) (2)), except that if the finance charge is the sum of two or more products of a rate times a portion of the balance, the creditor may, in lieu of disclosing a single rate for the total charge, disclose each such rate expressed as an annual percentage rate, and the part of the balance to which it is applicable.

"(7) At the election of the creditor, the average effective annual percentage rate of return (or the projected rate) under the plan as prescribed in subsection (a) (5).

"(8) The balance on which the finance charge was computed and a statement of how the balance was determined. If the balance is determined without first deducting all credits during the period, that fact and the amount of such payments shall also be disclosed.

"(9) The outstanding balance in the account at the end of the period.

"(10) The date by which, or the period (if any) within which, payment must be made to avoid additional finance charges.

"(c) In the case of any open end consumer credit plan in existence on the effective date of this subsection, the items described in subsection (a), to the extent applicable, shall be disclosed in a notice mailed or delivered to the obligor not later than thirty days after that date.

"§ 128. Sales not under open end credit plans

"(a) In connection with each consumer credit sale not under an open end credit plan, the creditor shall disclose each of the following items which is applicable:

"(1) The cash price of the property or service purchased.

"(2) The sum of any amounts credited as downpayment (including any trade-in).

"(3) The difference between the amount referred to in paragraph (1) and the amount referred to in paragraph (2).

"(4) All other charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge.

"(5) The total amount to be financed (the sum of the amount described in paragraph (3) plus the amount described in paragraph (4)).

"(6) Except in the case of a sale of a dwelling, the amount of the finance charge, which may in whole or in part be designated as a time-price differential or any similar term to the extent applicable.

"(7) The finance charge expressed as an annual percentage rate except in the case of a finance charge.

"(A) which does not exceed \$5 and is applicable to an amount financed not exceeding \$75, or

"(B) which does not exceed \$7.50 and is applicable to an amount financed exceeding \$75.

A creditor may not divide a consumer credit sale into two or more sales to avoid the disclosure of an annual percentage rate pursuant to this paragraph.

"(8) The number, amount, and due dates or periods of payments scheduled to repay the indebtedness.

"(9) The default, delinquency, or similar charges payable in the event of late payments.

"(10) a description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

"(b) Except as otherwise provided in this chapter, the disclosures required under subsection (a) shall be made before the credit is extended, and may be made by disclosing the information in the contract or other evidence of indebtedness to be signed by the purchaser.

"(c) If a creditor receives a purchase order by mail or telephone without personal solicitation, and the cash price and the deferred payment price and the terms of financing, including the annual percentage rate, are set forth in the creditor's catalog or other printed material distributed to the public, then the disclosures required under subsection (a) may be made at any time not later than the date the first payment is due.

"(d) If a consumer credit sale is one of a series of consumer credit sales transactions made pursuant to an agreement providing for the addition of the deferred payment price of that sale to an existing outstanding balance, and the person to whom the credit is extended has approved in writing both the annual percentage rate or rates and the method of computing the finance charge or charges, and the creditor retains no security interest in any property as to which he has received payments aggregating the amount of the sales price including any finance charges attributable thereto, then the disclosure required under subsection (a) for the particular sale may be made at any time not later than the date the first payment for that sale is due. For the purposes of this subsection, in the case of items purchased on different dates, the first purchased shall be deemed first paid for, and in the case of items purchased on the same date, the lowest priced shall be deemed first paid for.

"§ 129. Consumer loans not under open end credit plans

"(a) Any creditor making a consumer loan or otherwise extending consumer credit in a transaction which is neither a consumer credit sale nor under an open end consumer credit plan shall disclose each of the following items, to the extent applicable:

"(1) The amount of credit of which the obligor will have the actual use, or which is

or will be paid to him or for his account or to another person on his behalf.

"(2) All charges, individually itemized, which are included in the amount of credit extended but which are not part of the finance charge.

"(3) The total amount to be financed (the sum of the amounts referred to in paragraph (1) plus the amounts referred to in paragraph (2)).

"(4) Except in the case of a loan secured by a first lien on a dwelling and made to finance the purchase of that dwelling, the amount of the finance charge.

"(5) The finance charge expressed as an annual percentage rate except in the case of a finance charge.

"(A) which does not exceed \$5 and is applicable to an extension of consumer credit not exceeding \$75, or

"(B) which does not exceed \$7.50 and is applicable to an extension of consumer credit exceeding \$75.

A creditor may not divide an extension of credit into two or more transactions to avoid the disclosure of an annual percentage rate pursuant to this paragraph.

"(6) The number, amount, and the due dates or periods of payments scheduled to repay the indebtedness.

"(7) The default, delinquency, or similar charges payable in the event of late payments.

"(8) A description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

"(b) Except as otherwise provided in this chapter, the disclosures required by subsection (a) shall be made before the credit is extended, and may be made by disclosing the information in the note or other evidence of indebtedness to be signed by the obligor.

"(c) If a creditor receives a request for an extension of credit by mail or telephone without personal solicitation and the terms of financing, including the annual percentage rate for representative amounts of credit, are set forth in the creditor's printed material distributed to the public, or in the contract of loan or other printed material delivered to the obligor, then the disclosures required under subsection (a) may be made at any time not later than the date the first payment is due.

"§ 130. Civil liability

"(a) Except as otherwise provided in this section, any creditor who fails in connection with any consumer credit transaction to disclose to any person any information required under this chapter to be disclosed to that person is liable to that person in an amount equal to the sum of

"(1) twice the amount of the finance charge in connection with the transaction, except that the liability under this paragraph shall not be less than \$100 nor greater than \$1,000; and

"(2) in the case of any successful action to enforce the foregoing liability, the costs of the action together with a reasonable attorney's fee as determined by the court.

"(b) A creditor has no liability under this section if within fifteen days after discovering an error, and prior to the institution of an action under this section or the receipt of written notice of the error, the creditor notifies the person concerned of the error and makes whatever adjustments in the appropriate account are necessary to insure that the person will not be required to pay a finance charge in excess of the amount or percentage rate actually disclosed.

"(c) A creditor may not be held liable in any action brought under this section for a violation of this chapter if the creditor shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding

the maintenance of procedures reasonably adapted to avoid any such error.

"(d) Any action which may be brought under this section against the original creditor in any credit transaction involving a security interest in real property may be maintained against any subsequent assignee of the original creditor where the assignee, its subsidiaries, or affiliates were in a continuing business relationship with the original creditor either at the time the credit was extended or at the time of the assignment, unless the assignment was involuntary, or the assignee shows by a preponderance of evidence that it did not have reasonable grounds to believe that the original creditor was engaged in violations of this chapter, and that it maintained procedures reasonably adapted to apprise it of the existence of any such violations.

"(e) Any action under this section may be brought in any United States district court, or in any other court of competent jurisdiction, within one year from the date of the occurrence of the violation.

"§ 131. Written acknowledgment as proof of receipt

"Except as provided in section 125(c) and except in the case of actions brought under section 130(d), in any action or proceeding by or against any subsequent assignee of the original creditor without knowledge to the contrary by the assignee when he acquires the obligation, written acknowledgment of receipt by a person to whom a statement is required to be given pursuant to this title shall be conclusive proof of the delivery thereof and, unless the violation is apparent on the face of the statement, of compliance with this chapter. This section does not affect the rights of the obligor in any action against the original creditor.

"CHAPTER 3—CREDIT ADVERTISING

"Sec.

"141. Catalogs and multiple-page advertisements.

"142. Advertising of downpayments and installments.

"143. Advertising of open end credit plans.

"144. Advertising of credit other than open end plans.

"145. Nonliability of media.

"§ 141. Catalogs and multiple-page advertisements

"For the purposes of this chapter, a catalog or other multiple-page advertisement shall be considered a single advertisement if it clearly and conspicuously displays a credit terms table on which the information required to be stated under this chapter is clearly set forth.

"§ 142. Advertising of downpayments and installments

"No advertisement to aid, promote, or assist directly or indirectly any extension of consumer credit may state

"(1) that a specific periodic consumer credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payments or installments for that period and in that amount.

"(2) that a specified downpayment is required in connection with any extension of consumer credit, unless the creditor usually and customarily arranges downpayments in that amount.

"§ 143. Advertising of open end credit plans

"No advertisement to aid, promote, or assist directly or indirectly the extension of consumer credit under an open end credit plan may set forth any of the specific terms of that plan or the appropriate rate determined under section 127(a)(5) unless it also clearly and conspicuously sets forth all of the following items:

"(1) The time period, if any, within which any credit extended may be repaid without incurring a finance charge.

"(2) The method of determining the balance upon which a finance charge will be imposed.

"(3) The method of determining the amount of the finance charge, including any minimum or fixed amount imposed as a finance charge.

"(4) Where periodic rates may be used to compute the finance charge, the periodic rates expressed as annual percentage rates.

"(5) Such other or additional information for the advertising of open end credit plans as the Board may by regulation require to provide for adequate comparison of credit costs as between different types of open end credit plans.

"§ 144. Advertising of credit other than open end plans

"(a) Except as provided in subsection (b), this section applies to any advertisement to aid, promote, or assist directly or indirectly any consumer credit sale, loan, or other extension of credit subject to the provisions of this title, other than an open end credit plan.

"(b) The provisions of this section do not apply to advertisements of residential real estate except to the extent that the Board may by regulation require.

"(c) If any advertisement to which this section applies states the rate of a finance charge, the advertisement shall state the rate of that charge expressed as an annual percentage rate.

"(d) If any advertisement to which this section applies states the amount of the downpayment, if any, the amount of any installment payment, the dollar amount of any finance charge, or the number of installments or the period of repayment, then the advertisement shall state all of the following items:

"(1) The cash price or the amount of the loan as applicable.

"(2) The downpayment, if any.

"(3) The number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended.

"(4) The rate of the finance charge expressed as an annual percentage rate.

"§ 145. Nonliability of media

"There is no liability under this chapter on the part of any owner or personnel, as such, of any medium in which an advertisement appears or through which it is disseminated.

"TITLE II—EXTORTIONATE CREDIT TRANSACTIONS

"Sec.

"201. Findings and purpose.

"202. Amendments to title 18, United States Code.

"203. Reports by Attorney General.

"§ 201. Findings and purpose

"(a) The Congress makes the following findings:

"(1) Organized crime is interstate and international in character. Its activities involve many billions of dollars each year. It is directly responsible for murders, willful injuries to person and property, corruption of officials, and terrorization of countless citizens. A substantial part of the income of organized crime is generated by extortionate credit transactions.

"(2) Extortionate credit transactions are characterized by the use, or the express or implicit threat of the use, of violence or other criminal means to cause harm to person, reputation, or property as a means of enforcing repayment. Among the factors which have rendered past efforts at prosecution almost wholly ineffective has been the existence of exclusionary rules of evidence stricter than necessary for the protection of constitutional rights.

"(3) Extortionate credit transactions are carried on to a substantial extent in interstate and foreign commerce and through the means and instrumentalities of such commerce. Even where extortionate credit trans-

actions are purely intrastate in character, they nevertheless directly affect interstate and foreign commerce.

"(4) Extortionate credit transactions directly impair the effectiveness and frustrate the purposes of the laws enacted by the Congress on the subject of bankruptcies.

"(b) On the basis of the findings stated in subsection (a) of this section, the Congress determines that the provisions of chapter 42 of title 18 of the United States Code are necessary and proper for the purpose of carrying into execution the powers of Congress to regulate commerce and to establish uniform and effective laws on the subject of bankruptcy.

"§ 202. Amendments to title 18, United States Code

"(a) Title 18 of the United States Code is amended by inserting the following new chapter immediately after chapter 41 thereof:

"CHAPTER 42—EXTORTIONATE CREDIT TRANSACTIONS

"Sec.

"891. Definitions and rules of construction.

"892. Making extortionate extensions of credit.

"893. Financing extortionate extensions of credit.

"894. Collection of extensions of credit by extortionate means.

"895. Immunity of witnesses.

"896. Effect on State laws.

"§ 891. Definitions and rules of construction

"For the purposes of this chapter:

"(1) To extend credit means to make or renew any loan, or to enter into any agreement, tacit or express, whereby the repayment or satisfaction of any debt or claim, whether acknowledged or disputed, valid or invalid, and however arising, may or will be deferred.

"(2) The term "creditor", with reference to any given extension of credit, refers to any person making that extension of credit, or to any person claiming by, under, or through any person making that extension of credit.

"(3) The term "debtor", with reference to any given extension of credit, refers to any person to whom that extension of credit is made, or to any person who guarantees the repayment of that extension of credit, or in any manner undertakes to indemnify the creditor against loss resulting from the failure of any person to whom that extension of credit is made to repay the same.

"(4) The repayment of any extension of credit includes the repayment, satisfaction, or discharge in whole or in part of any debt or claim, acknowledged or disputed, valid or invalid, resulting from or in connection with that extension of credit.

"(5) To collect an extension of credit means to induce in any way any person to make repayment thereof.

"(6) An extortionate extension of credit is any extension of credit with respect to which it is the understanding of the creditor and the debtor at the time it is made that delay in making repayment or failure to make repayment could result in the use of violence or other criminal means to cause harm to the person, reputation, or property of any person.

"(7) An extortionate means is any means which involves the use, or an express or implicit threat of use, of violence or other criminal means to cause harm to the person, reputation, or property of any person.

"(8) The term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, and territories and possessions of the United States.

"(9) State law, including conflict of laws rules, governing the enforceability through civil judicial processes of repayment of any extension of credit or the performance of any promise given in consideration thereof shall be judicially noticed. This paragraph does not impair any authority which any

court would otherwise have to take judicial notice of any matter of State law.

"§ 892. Making extortionate extensions of credit

"(a) Whoever makes any extortionate extension of credit, or conspires, to do so, shall be fined not more than \$10,000 or imprisoned not more than 20 years, or both.

"(b) In any prosecution under this section, if it is shown that all of the following factors were present in connection with the extension of credit in question, there is prima facie evidence that the extension of credit was extortionate, but this subsection is nonexclusive and in no way limits the effect or applicability of subsection (a):

"(1) The repayment of the extension of credit, or the performance of any promise given in consideration thereof, would be unenforceable, through civil judicial processes against the debtor

"(A) in the jurisdiction within which the debtor, if a natural person, resided or

"(B) in every jurisdiction within which the debtor, if other than a natural person, was incorporated or qualified to do business at the time the extension of credit was made.

"(2) The extension of credit was made at a rate of interest in excess of an annual rate of 45 per centum calculated according to the actuarial method of allocating payments made on a debt between principal and interest, pursuant to which a payment is applied first to the accumulated interest and the balance is applied to the unpaid principal.

"(3) At the time the extension of credit was made, the debtor reasonably believed that either

"(A) one or more extensions of credit by the creditor had been collected or attempted to be collected by extortionate means, or the nonrepayment thereof had been punished by extortionate means; or

"(B) the creditor had a reputation for the use of extortionate means to collect extensions of credit or to punish the nonrepayment thereof.

"(4) Upon the making of the extension of credit, the total of the extensions of credit by the creditor to the debtor then outstanding, including any unpaid interest or similar charges, exceeded \$100.

"(c) In any prosecution under this section, if evidence has been introduced tending to show the existence of any of the circumstances described in subsection (b)(1) or (b)(2), and direct evidence of the actual belief of the debtor as to the creditor's collection practices is not available, then for the purpose of showing the understanding of the debtor and the creditor at the time the extension of credit was made, the court may in its discretion allow evidence to be introduced tending to show the reputation as to collection practices of the creditor in any community of which the debtor was a member at the time of the extension.

"§ 893. Financing extortionate extensions of credit

"Whoever willfully advances money or property, whether as a gift, as a loan, as an investment, pursuant to a partnership or profit-sharing agreement, or otherwise, to any person, with reasonable grounds to believe that it is the intention of that person to use the money or property so advanced directly or indirectly for the purpose of making extortionate extensions of credit, shall be fined not more than \$10,000 or an amount not exceeding twice the value of the money or property so advanced, whichever is greater, or shall be imprisoned not more than 20 years, or both.

"§ 894. Collection of extensions of credit by extortionate means

"(a) Whoever knowingly participates in any way, or conspires to do so, in the use of any extortionate means

"(1) to collect or attempt to collect any extension of credit, or

"(2) to punish any person for the nonrepayment thereof,

shall be fined not more than \$10,000 or imprisoned not more than 20 years, or both.

"(b) In any prosecution under this section, for the purpose of showing an implicit threat as a means of collection, evidence may be introduced tending to show that one or more extensions of credit by the creditor were, to the knowledge of the person against whom the implicit threat was alleged to have been made, collected or attempted to be collected by extortionate means or that the nonrepayment thereof was punished by extortionate means.

"(c) In any prosecution under this section, if evidence has been introduced tending to show the existence, at the time the extension of credit in question was made, of the circumstances described in section 892(b)(1), or the circumstances described in section 892(b)(2), and direct evidence of the actual belief of the debtor as to the creditor's collection practices is not available, then for the purpose of showing that words or other means of communication, shown to have been employed as a means of collection, in fact carried an express or implicit threat, the court may in its discretion allow evidence to be introduced tending to show the reputation of the defendant in any community of which the person against whom the alleged threat was made was a member at the time of the collection or attempt at collection.

"§ 895. Immunity of witnesses

"Whenever in the judgment of a United States attorney the testimony of any witness, or the production of books, papers, or other evidence by any witness in any case or proceeding before any grand jury or court of the United States involving any violation of this chapter is necessary to the public interest, he, upon the approval of the Attorney General or his designated representative, may make application to the court that the witness be instructed to testify or produce evidence subject to the provisions of this section. Upon order of the court the witness shall not be excused from testifying or from producing books, papers, or other evidence on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture. But no such witness may be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, nor may testimony so compelled be used as evidence in any criminal proceeding against him in any court, except a prosecution for perjury or contempt committed while giving testimony or producing evidence under compulsion as provided in this section.

"§ 896. Effect on State laws

"This chapter does not preempt any field of law with respect to which State legislation would be permissible in the absence of this chapter. No law of any State which would be valid in the absence of this chapter may be held invalid or inapplicable by virtue of the existence of this chapter, and no officer, agency, or instrumentality of any State may be deprived by virtue of this chapter of any jurisdiction over any offense over which it would have jurisdiction in the absence of this chapter."

"(b) The table of chapters captioned 'Part I—Crimes' at the beginning of part I of title 18 of the United States Code is amended by inserting

"42. Extortionate credit transactions... 891' immediately above

"43. False personation... 911'.

"§ 203. Reports by Attorney General

"The Attorney General shall make an annual report to Congress of the activities of

the Department of Justice in the enforcement of chapter 42 of title 18 of the United States Code.

"TITLE III—RESTRICTION ON GARNISHMENT

"Sec.

"301. Findings and purpose.

"302. Definitions.

"303. Restriction on garnishment.

"304. Restriction on discharge from employment by reason of garnishment.

"305. Exemption for State-regulated garnishments.

"306. Enforcement by Secretary of Labor.

"307. Effect on State laws.

"§ 301. Findings and purpose

"(a) The Congress finds:

"(1) The unrestricted garnishment of compensation due for personal services encourages the making of predatory extensions of credit. Such extensions of credit divert money into excessive credit payments and thereby hinder the production and flow of goods in interstate commerce.

"(2) The application of garnishment as a creditors' remedy frequently results in loss of employment by the debtor, and the resulting disruption of employment, production, and consumption constitutes a substantial burden on interstate commerce.

"(3) The great disparities among the laws of the several States relating to garnishment have, in effect, destroyed the uniformity of the bankruptcy laws and frustrated the purposes thereof in many areas of the country.

"(b) On the basis of the findings stated in subsection (a) of this section, the Congress determines that the provisions of this title are necessary and proper for the purpose of carrying into execution the powers of the Congress to regulate commerce and to establish uniform bankruptcy laws.

"§ 302. Definitions

"For the purposes of this title:

"(a) The term 'earnings' means compensation paid or payable for personal services, whether denominated as wages, salary, commission, bonus, or otherwise, and includes periodic payments pursuant to a pension or retirement program.

"(b) The term 'disposable earnings' means that part of the earnings of any individual remaining after the deduction from those earnings of any amounts required by law to be withheld.

"(3) The term 'garnishment' means any legal or equitable procedure through which the earnings of any individual are required to be withheld for payment of any debt.

"§ 303. Restrictions on garnishment

"(a) Except as provided in subsection (b) and in section 305, the maximum part of the aggregate disposable earnings of an individual for any workweek which is subjected to garnishment may not exceed

"(1) 25 per centum of his disposable earnings for that week, or

"(2) the amount by which his disposable earnings for that week exceed thirty times the Federal minimum hourly wage prescribed by section 6(a)(1) of the Fair Labor Standards Act of 1938 in effect at the time the earnings are payable.

whichever is less. In the case of earnings for any pay period other than a week, the Secretary of Labor shall by regulation prescribe a multiple of the Federal minimum hourly wage equivalent in effect to that set forth in paragraph (2).

"(b) The restrictions of subsection (a) do not apply in the case of

"(1) any order of any court for the support of any person.

"(2) any order of any court of bankruptcy under chapter XIII of the Bankruptcy Act.

"(3) any debt due for any State or Federal tax.

"(c) No court of the United States or any State may make, execute, or enforce any order or process in violation of this section.

"§ 304. Restriction on discharge from employment by reason of garnishment

"(a) No employer may discharge any employee by reason of the fact that his earnings have been subjected to garnishment for any one indebtedness.

"(b) Whoever willfully violates subsection (a) of this section shall be fined not more than \$1,000, or imprisoned not more than one year, or both.

"§ 305. Exemption for State-regulated garnishments

"The Secretary of Labor may by regulation exempt from the provisions of section 303(a) garnishments issued under the laws of any State if he determines that the laws of that State provide restrictions on garnishment which are substantially similar to those provided in section 303(a).

"§ 306. Enforcement by Secretary of Labor

"The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this title.

"§ 307. Effect on State laws

"This title does not annul, alter, or affect, or exempt any person from complying with, the laws of any State

"(1) prohibiting garnishments or providing for more limited garnishments than are allowed under this title, or

"(2) prohibiting the discharge of any employee by reason of the fact that his earnings have been subjected to garnishment for more than one indebtedness.

"TITLE IV—NATIONAL COMMISSION ON CONSUMER FINANCE

"Sec.

"401. Establishment.

"402. Membership of the Commission.

"403. Compensation of members.

"404. Duties of the Commission.

"405. Powers of the Commission.

"406. Administrative arrangements.

"407. Authorization of appropriations.

"§ 401. Establishment

"There is established a bipartisan National Commission on Consumer Finance, referred to in this title as the 'Commission'.

"§ 402. Membership of the Commission

"(a) The Commission shall be composed of nine members, of whom

"(1) three are Members of the Senate appointed by the President of the Senate;

"(2) three are Members of the House of Representatives appointed by the Speaker of the House of Representatives; and

"(3) three are persons not employed in a full-time capacity by the United States appointed by the President, one of whom he shall designate as Chairman.

"(b) A vacancy in the Commission does not affect its powers and may be filled in the same manner as the original appointment.

"(c) Five members of the Commission constitute a quorum.

"§ 403. Compensation of members

"(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

"(b) Each member of the Commission who is appointed by the President may receive compensation at a rate of \$100 for each day he is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 5703) for persons in the Government service employed intermittently.

"§ 404. Duties of the Commission

"(a) The Commission shall study and appraise the functioning and structure of the consumer finance industry, as well as consumer credit transactions generally. The Commission, in its report and recommendations to the Congress, shall include treatment of the following topics:

"(1) The adequacy of existing arrangements to provide consumer credit at reasonable rates.

"(2) The adequacy of existing supervisory and regulatory mechanisms to protect the public from unfair practices, and insure the informed use of consumer credit.

"(3) The desirability of Federal chartering of consumer finance companies, or other Federal regulatory measures.

"(b) The Commission may make interim reports and shall make a final report of its findings, recommendations, and conclusions to the President and to the Congress by January 1, 1971.

"§ 405. Powers of the Commission

"(a) The Commission, or any three members thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinion pertinent to the study. In connection therewith the Commission is authorized by majority vote

"(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine.

"(2) to administer oaths.

"(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties.

"(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order.

"(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above.

"(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

"(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

"(c) The Commission may require directly from the head of any Federal executive departments and independent agencies of the information which the Commission deems useful in the discharge of its duties. All departments and independence agencies of the Government shall cooperate with the Commission and furnished all information requested by the Commission to the extent permitted by law.

"(d) The Commission may enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conduct of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

"(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it may publish the information in the form and manner deemed best adapted

for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff. The Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying those documents as need may arise.

"(f) The Commission may delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the conduct of its business, except as otherwise provided in this title.

§ 406. Administrative arrangements

"(a) The Commission may, without regard to the provisions of title 5, United States Code, relating to appointments in the competitive service or to classification and General Schedule pay rates, appoint and fix the compensation of an executive director. The executive director, with the approval of the Commission, shall employ and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed may receive compensation in excess of the rate authorized for GS-18 under the General Schedule.

"(b) The executive director, with the approval of the Commission, may obtain services in accordance with section 3109 of title 5 of the United States Code, but at rates for individuals not to exceed \$100 per diem.

"(c) The head of any executive department or independent agency of the Federal Government may detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

"(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services. The regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of that Administration for the administrative control of funds apply to appropriations of the Commission.

"(e) Ninety days after submission of its final report, as provided in section 404(b), the Commission shall cease to exist.

§ 407. Authorization of appropriations

"There are authorized to be appropriated such sums not in excess of \$1,500,000 as may be necessary to carry out the provisions of this title. Any money so appropriated shall remain available to the Commission until the date of its expiration, as fixed by section 406(e).

"TITLE V—GENERAL PROVISIONS

"Sec.

"501. Severability.

"502. Captions and catchlines for reference only.

"503. Grammatical usages.

"504. Effective dates.

"§ 501. Severability

"If a provision enacted by this Act is held invalid, all valid provisions that are severable from the invalid provision remain in effect. If a provision enacted by this Act is held invalid in one or more of its applications, the provision remains in effect in all valid applications that are severable from the invalid application or applications.

"§ 502. Captions and catchlines for reference only

"Captions and catchlines are intended solely as aids to convenient reference, and no inference as to the legislative intent with respect to any provision enacted by this Act may be drawn from them.

"§ 503. Grammatical usages

"In this Act:

"(1) The word 'may' is used to indicate that an action either is authorized or is permitted.

"(2) The word 'shall' is used to indicate that an action is both authorized and required.

"(3) The phrase 'may not' is used to indicate that an action is both unauthorized and forbidden.

"(4) Rules of law are stated in the indicative mood.

"§ 504. Effective dates

"(a) Except as otherwise specified, the provisions of this Act take effect upon enactment.

"(b) Chapters 2 and 3 of title I take effect on July 1, 1969.

"(c) Title III takes effect on July 1, 1970."

And the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title of the bill and agree to the same.

WRIGHT PATMAN,
WILLIAM A. BARRETT,
LEONOR K. SULLIVAN,
HENRY S. REUSS,
THOMAS L. ASHLEY,
WILLIAM S. MOORHEAD,
WILLIAM B. WIDNALL,
PAUL A. FINO,
FLORENCE P. DWYER,

Managers on the Part of the House.

JOHN SPARKMAN,
WILLIAM PROXMIER,
EDMUND S. MUSKIE,
WALLACE F. BENNETT,
BOURKE B. HICKENLOOPER,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

This conference report represents the culmination of a long and arduous struggle. The House Committee on Banking and Currency, on December 13, 1967, reported favorably on the Sullivan bill, H.R. 11601, which passed the House overwhelmingly on February 1, 1968. The House then took up S. 5, struck all after the enacting clause, inserted the text of the House bill, and returned it to the Senate, which asked for a conference.

GENERAL STATEMENT

All of the major provisions of the House bill are retained in the accompanying conference report. In addition to the requirement of disclosure of credit costs in individual transactions, which was all the Senate bill dealt with, the House bill contained provisions relating to credit advertising, loansharking, and garnishment. The House bill also provided for administrative enforcement by the Federal Trade Commission as to businesses generally, and by the specialized regulatory agencies with respect to those under their respective jurisdictions. The House bill created a study commission on consumer credit generally with full investigative powers, and directed it to report its recommendations for further legislation

in this area. Not only does the conference substitute retain all these major affirmative provisions: it also omits or substantially modifies the Senate exemption for first mortgages and the Senate exemptions from annual rate disclosure. In sum, your conferees were able substantially to sustain the position of the House.

SHORT TITLES

Section 1 of the conference substitute retains the "Consumer Credit Protection Act" as the short title for the entire Act, as contained in the House bill. Title I of the conference substitute, dealing entirely with the subject matter of S. 5 as it passed the Senate, with the additional disclosure requirements recommended by the House, is designated as the "Truth in Lending Act" under section 101 of the conference substitute.

TITLE I—CONSUMER CREDIT COST DISCLOSURE

First mortgages

Section 8(4) of the Senate bill exempted first mortgages on real estate from all of the provisions of the act. There was no corresponding provision in the House bill. In the conference substitute, the total finance charge over the life of the mortgage is not required to be disclosed in connection with a purchase money first mortgage. Such mortgages are also exempted from the requirement that the creditor afford a 3-day right of rescission where a lien is placed on the obligor's dwelling. First mortgages are subject to all other requirements imposed under this title, and there are no exemptions for other types of mortgages.

Property and liability insurance

Under section 202(d) of the House-passed bill, all mandatory charges imposed by a creditor in connection with an extension of credit were required to be included in the finance charge. The language left in some doubt the treatment to be accorded charges such as those for various types of insurance as well as other items which, although not charges for credit, were included in a financing package and were not specifically excluded from the finance charge by other provisions of that section. Under section 3(d) (2) (C) of the Senate bill, premiums for property and liability insurance would be excluded from the finance charge if itemized and disclosed by the creditor. Under section 106(c) of the conference substitute, such an exclusion is permitted, but only if the debtor is clearly informed of his right to choose where to buy such insurance.

Credit life and accident and health insurance

Section 3(d) (2) (D) of the Senate bill also provided an exclusion for credit life, accident, and health insurance premiums if itemized and disclosed. Under the conference substitute, such charges may not be excluded unless the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this is clearly disclosed to the debtor. The creditor must also disclose to the prospective debtor the cost of such insurance, and may not include it in the financing package unless the debtor gives specific affirmative written indication of his desire to have it. If credit life, accident or health insurance is written in connection with any consumer credit transaction without complying with all of the foregoing requirements, then its cost must be included in the finance charge under section 106(b) of the conference substitute.

Other charges

Section 106(d) (4) of the conference substitute permits the Board to approve by regulation the exclusion of any other type of charge which is not essentially for credit. It is not intended that the Board should exercise this authority except in the case of

charges which are reasonable in relation to the benefits conferred on the obligor, and where their inclusion in the package makes economic sense from the standpoint of the obligor, apart from the creditor's merchandising convenience.

Prepayments

The conferees were agreed that the Federal Reserve Board and other regulatory agencies should provide for the disclosure to the obligor at the time of the completion of a consumer credit transaction of any prepayment penalties in connection with real estate mortgages or the policy to be followed by the creditor in granting partial refund, if any, of the finance charges in case of substantial prepayment of an installment contract in terms of amount and time.

Administrative enforcement

Section 108 of the conference substitute clarifies the legislative intention that the vesting of sole rulemaking power under title I in the Board of Governors of the Federal Reserve System does not impair the authority of the other agencies having administrative enforcement responsibilities to make rules respecting their own procedures in enforcing compliance. It also makes clear that, except for the exclusions specifically stated in the section, the jurisdiction of the Federal Trade Commission is plenary and attaches to any creditor subject to the title, irrespective of whether the creditor meets any jurisdictional test in the Federal Trade Commission Act.

Right of rescission

Section 203(e) of the House-passed bill required that the disclosures required under the bill would have to be made at least 3 days before the consummation of any transaction in connection with which a security interest was to be retained or acquired in the obligor's residence. The corresponding provisions in the conference substitute are found in section 125, with substantial modifications. Purchase money first mortgages are exempted altogether from the provisions of section 125. As to other transactions, the obligor is given a right of rescission which runs until midnight of the third business day following consummation of the transaction, or delivery of all material disclosures (including disclosure of the right to rescind without liability), whichever is later. Upon exercise of this right, any security interests created under the transaction are voided, the creditor must refund any advances, and the obligor must tender back any property, or its reasonable value, which he has received from the creditor.

Content of periodic statements

Section 126 of the conference substitute sets forth the requirements with respect to the content of periodic statements in connection with extensions of credit other than those under open end credit plans. The simplest type of statement would be a reminder of payment due on a straight installment contract; that is, a contract which did not provide for any additional purchases to be made under it and where the amounts and the dates of the obligor's obligations were entirely fixed at the time the contract was entered into. In that situation, it is not expected that the Board would require the statement to contain any information other than that provided for in paragraphs (1) and (2); that is, the annual rate and the late payment penalties, if any. If, however, the installment contract were more complex, perhaps providing for the purchase of additional items without entering into a new contract, or containing other terms and conditions which might tend to make it more like revolving credit, then it is expected that under paragraph (3), the Board would require appropriate additional disclosures to obligors.

Disclosure of creditor's rate of return

The House bill did not mention disclosure of the creditor's rate of return. Section 127 (a) (5) specifically authorizes any creditor under an open end consumer credit plan to disclose his average effective annual percentage rate of return or, where that would not be feasible or practical or would be misleading or meaningless, to disclose a projected rate of return. Calculation of both actual and projected rates would be subject to regulations of the Board consistent with commonly accepted standards for accounting or statistical procedures.

Minimum charge exemptions

The House bill contained no exemptions from the annual rate disclosure requirement, either as to open end accounts or other transactions. The Senate bill did not require rate disclosure with respect to monthly minimum or fixed charges in connection with open end plans, and also provided an absolute exemption from rate disclosure for finance charges less than \$10 in connection with transactions not under open end plans.

Under section 127(b) (6) of the conference substitute, the actual rate need not be disclosed in the periodic statement with respect to an account under an open end plan if the total finance charge does not exceed 50 cents for a billing period of a month or more. In any statement of an account under an open end plan under which a rate may be used to compute the finance charge (even though, for the particular month, the rate may yield a charge below the minimum and thus be inapplicable) the creditor must state the periodic rate and the "nominal" annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

Under sections 128(a) (7) and 129(a) (5), where the amount financed does not exceed \$75, the percentage rate applicable to a finance charge not exceeding \$5 need not be disclosed, and where the amount financed exceeds \$75, the rate applicable to a finance charge not exceeding \$7.50 need not be disclosed. Section 128(a) (7) applies to sales, and section 129(a) (5) to loans, and both prohibit creditors from artificially dividing transactions to avoid the rate disclosure requirement. It is expected that the Board will by regulation deal with the loan renewal problem, as section 129(a) (5) is not intended as a loophole through which creditors may escape rate disclosure by making short-term loans with multiple renewals.

Credit advertising

In general, the substance of the provisions of the House passed bill with respect to advertising were retained, the only changes in conference being to make entirely clear that where any specific credit terms on any type of credit are advertised, all of the material terms must be set forth. The House had provided authority to the Federal Reserve Board to exempt residential real estate advertisements from the advertising requirements of title I. This authority is retained in the conference substitute.

TITLE II—EXTORTIONATE CREDIT TRANSACTIONS

Title II of the conference substitute is aimed directly at the activities of organized crime. This title, which passed the House as section 102 of the House's amendment to S. 5, makes it a Federal offense to make extortionate extensions of credit, to finance the making of extortionate extensions of credit, or to collect any extensions of credit by extortionate means.

An extortionate extension of credit is defined as any extension of credit with respect to which it is the understanding of the creditor and the debtor at the time it is made that delay in making repayment or failure to make repayment could result in the use of violence or other criminal means to cause harm to the person, reputation, or property of any person.

Similarly, an extortionate means is defined as any means which involves the use, or an express or implicit threat of use, of violence or other criminal means to cause harm to the person, reputation, or property of any person.

Constitutional basis

Article I, section 8, of the Constitution expressly empowers Congress to make "uniform laws on the subject of bankruptcies." In the exercise of this power, Congress has enacted the Bankruptcy Act, which confers on any debtor the statutory right, with certain qualifications, to be discharged of his debts by applying substantially all of his property toward their repayment. It is obvious, however, that obligations as to which there is an understanding that they may be collected by extortionate means, or which are actually so collected, are not susceptible of being "discharged" in bankruptcy in any meaningful sense. Such transactions thus deprive the debtor of a Federal statutory right, and at the same time defeat one of the principal purposes of the Bankruptcy Act, which is to afford insolvent persons the opportunity to make a fresh start. Thus, it seems clearly within the power of the Congress to protect the Federal statutory right, and to assure that the bankruptcy laws will be carried into execution, by enacting legislation to prohibit extortionate credit transactions. In addition, there is ample evidence that such transactions are being carried on on a large scale and that they have a substantial impact on interstate commerce. Section 201 of the conference substitute is an explicit statement of the foregoing rationale.

Technical structure

Section 202 adds to title 18 of the United States Code a new chapter 42 consisting of sections numbered 891 through 896. Section 891 sets forth definitions and rules of construction, the most important of which are the definitions of extortionate extensions of credit and extortionate means, which are quoted above.

Extortionate extension of credit

Section 892(a) provides—

"Whoever makes any extortionate extension of credit, or conspires to do so, shall be fined not more than \$10,000 or imprisoned not more than 20 years, or both."

The major difficulty which confronts the prosecution of offenses of this type is the reluctance of the victims to testify. That is, if they are in genuine fear of the consequences of nonpayment, they are apt to be equally or even more in fear of the consequences of testifying as a complaining witness.

Prima facie case

Section 892(b) provides that if certain factors are present in connection with an extension of credit, there is prima facie evidence that the extension of credit is extortionate. These factors are (1) the inability of the creditor to obtain a personal judgment against the debtor for the full obligation; (2) a rate of interest in excess of 45 percent per annum; (3) a reasonable belief on the part of the debtor that the creditor either had used extortionate means in the collection of one or more other extensions of credit, or that he had a reputation for the use of such means; and (4) that the total amount involved between the debtor and the creditor was more than \$100.

In the light of common experience, the inference of the use of extortionate means from the foregoing factors seems strong enough to make it constitutionally permissible to put the burden on the defendant to come forward with evidence to show the innocent nature of the transaction, if such was the case. In arms length transactions, people simply do not lend sums of money at exorbitant rates of interest under circum-

stances where they cannot enforce the obligation to repay. Where the prosecution has shown the absence of legal means to enforce the obligation, it is a reasonable inference, in the absence of evidence to the contrary, that illegal means were contemplated. Any debtor who deals with a creditor under these circumstances, knowing or reasonably believing that the creditor has used extortionate means in the past, may be fairly surmised to know what he is getting into.

The debtor, of course, may be unavailable or, for reasons already discussed, unwilling to testify. Section 892(c) permits the court, in its discretion, where evidence has already been introduced tending to show either uncollectability or a rate of interest in excess of 45 percent, to allow evidence to be introduced tending to show the reputation as to collection practices of the creditor in any community of which the debtor was a member at the time of the extension of credit. The trial court is in the best possible position to appraise the probative value of such evidence and to weigh that against its possible prejudicial effects. The ban on reputation evidence as part of the prosecution's case in chief has never been absolute, and where, as here, it is directly relevant to the state of mind of the parties in entering into the transaction, there will undoubtedly arise cases where it should very properly be before the trier of facts.

Finally, it is intended that the inference created by the presence of the factors set forth in section 892(b) may be weighed by the jury as evidence. It is not a mere rebuttable presumption, and it is not to be treated under the rule adopted in some jurisdictions with respect to such presumptions, which are said to be wholly dispelled by the introduction of any direct evidence.

Nonexclusiveness of section 892(b)

It should be emphasized, however, that the offense under section 892, and the only offense, is the making of an extension of credit with the understanding that criminal means may be used to enforce repayment, or conspiracy to make such an extension. Where this offense can be proved by direct evidence, it may be unnecessary for the prosecution to make use of sections 892(b) and 892(c).

Section 892 is in no sense a Federal usury law. The charging of a rate in excess of 45 percent per annum is merely one of a set of factors which, where there is inadequate evidence to explain them, are deemed sufficiently indicative of the existence of criminal means of collection to justify a statutory inference that such means were, in fact, contemplated by the parties.

Financing extortionate extensions of credit

In organized crime, loan sharking is normally carried out as a multi-level operation. It is the purpose of section 893 to make possible the prosecution of the upper levels of the criminal hierarchy. It should not be supposed that the enactment of this legislation will suddenly do away with the immense practical difficulties which attend any effort to prosecute the top levels of organized crime. Nevertheless, in those instances where legally admissible evidence can be gathered to trace the flow of funds from the upper levels, the legal capability to prosecute the organizers and financiers of the underworld, as well as loan sharks at the operating level, would appear to be a worthwhile weapon to add to the Government's arsenal.

Section 893 has been carefully drawn to preclude the possibility of creating difficulties for legitimate lenders or those who furnish financing to them. It should be noted that no case is made out where it is shown that funds were advanced to a lender who subsequently collected an indebtedness by criminal means. To come within the prohibition of section 893, the financier must have had reasonable grounds to believe that it was the intention of the lender to use the funds for

extortionate extensions of credit; that is, extensions of credit whose extortionate character is known to both the borrower and the lender at their inception.

Extortionate collection

Not everyone who falls into the clutches of a loan shark is necessarily aware at the outset of the nature of the transaction into which he has entered. Moreover, cases will arise where the use of extortionate means of collection can be demonstrated even though it cannot be shown that a bilateral understanding that such would be the case existed at the outset. Section 894(a) covers these situations by making it a criminal offense to collect an indebtedness by extortionate means, regardless of how the indebtedness arose. Section 894(b) merely codifies a principle of evidence which already appears to be recognized in the case law, but whose importance in this area is sufficiently great to make it desirable to leave no doubt whatever as to its applicability. It allows evidence as to other criminal acts by the defendant to be introduced for the purpose of showing the victim's state of mind. Section 894(c) is similar to section 892(c), discussed above, and was included in the basis of the same considerations.

Compulsory testimony

Section 895 authorizes the Government, in any case or proceeding before any grand jury or court involving a violation of this chapter, to compel the testimony of witnesses claiming the fifth amendment privilege against self-incrimination. This may be done, however, only when, in the judgment of the U.S. attorney, the testimony or evidence involved is necessary to the public interest, and then only by order of the court on the application of the U.S. attorney with the approval of the Attorney General or his designated representative. Any witness so compelled to testify or produce evidence is, of course, granted immunity from prosecution on account of the matters as to which he has been compelled to give evidence.

No preemption of State laws

Section 896 makes clear the congressional intention not to preempt any field in which State law would be valid in the absence of this chapter.

General applicability

The full utility of chapter 42 as a weapon in the war on organized crime obviously cannot be assessed until it has been tested in battle. Some general observations, however, appear to be in order at this point. As noted above, it is not, and is not intended to be, a Federal usury law, nor does it have anything to do with interest rates as such. It is, rather, a deliberate legislative attack on the economic foundations of organized crime. Most of the business of the underworld, whether in loan sharking, gambling, drugs, "protection," or other activities, involves extensions of credit as defined in section 891 at one or more stages. The methods used in the enforcement of such obligations are notorious. Thus, a very large proportion of underworld financial transactions fall within the ban of one or more of the provisions of chapter 42. It may very well develop that this chapter will find as much usefulness in the investigation and prosecution of transactions entirely within the world of organized crime as it does in connection with transactions between those within that world and those who are otherwise outside it. Be that as it may, the conferees wish to leave no doubt of the congressional intention that chapter 42 is a weapon to be used with vigor and imagination against every activity of organized crime that falls within its terms.

Reports by Attorney General

Because of the far-reaching potentials of chapter 42, the conferees have added a final section to title II requiring the Attorney

General to make an annual report to Congress on the activities of the Justice Department in the enforcement of its provisions.

TITLE III—RESTRICTION ON GARNISHMENT

Section 202(a) of the House-passed bill restricted garnishment to an amount not exceeding 10 percent of gross earnings in excess of \$30 per week, and contained no provision for the exemption of any State from the applicability of this rule. The restrictions in section 303(a) of the conference substitute are related to "disposable earnings," defined as earnings remaining after the deduction of any amounts required by law to be withheld. No garnishment is allowed which would exceed either 25 percent of disposable earnings, or the amount by which the weekly disposable earnings exceed 30 times the Federal minimum hourly wage, whichever is less.

Section 305 authorizes the Secretary of Labor to exempt from the limitation just described any State whose laws provide substantially similar restrictions on garnishment. The remaining provisions of title III of the conference substitute are unchanged, in terms of intended substantive effect, from the provisions of title II of the House bill.

TITLE IV—NATIONAL COMMISSION ON CONSUMER FINANCE

There were no changes of substance in this title, except that the date for the final report of the Commission was changed from December 31, 1969, to January 1, 1971. In the process of evolving the provisions of the conference substitute relating to the exemptions from annual rate disclosure for certain minimum charges (secs. 127(b)(6), 128(a)(7), and 129(a)(5)), the conferees agreed that the Commission should consider whether these exemptions are desirable in the public interest, taking into consideration their impact, if any, on the availability of credit and their relationship to the objectives of the act.

TITLE V—GENERAL PROVISIONS

Effective dates

Under the bill as passed by the House, the disclosure provisions were to take effect on the first day of the ninth calendar month beginning after enactment, and all other provisions were to take effect on enactment. The Senate bill's effective date was July 1, 1969.

The conference substitute provides that the disclosure provisions become effective July 1, 1969, the garnishment provisions become effective July 1, 1970, and all other provisions become effective on enactment.

WRIGHT PATMAN,
WILLIAM A. BARRETT,
LEONOR K. SULLIVAN,
HENRY S. REUSS,
THOMAS L. ASHLEY,
WILLIAM S. MOORHEAD,
WILLIAM B. WIDNALL,
PAUL A. FINO,
FLORENCE P. DWYER,

Managers on the Part of the House.

EDUCATIONAL ASSISTANCE TO WIDOWS

Mr. TEAGUE of Texas. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 16025) to amend title 38 of the United States Code with respect to compensation and educational assistance for widows of veterans, to make certain widows and children eligible for care in Veterans' Administration hospitals, and to change the limitation on the periods of educational assistance available under part III of such title, as amended.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 1502(b) of title 38, United States Code,

LIST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
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For actions of May 22, 1968
90th-2nd; No. 88

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HIGHLIGHTS: See page 6

HOUSE

1. CONSUMER CREDIT. Both Houses adopted the conference report on S. 5, to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by restricting the garnishment of wages; and by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance

industry. This bill will now be sent to the President. pp. H4114-28, H4132-35, S6113-20.

2. COUNTY COMMITTEES. The Rules Committee reported a resolution for the consideration of S. 1028, to provide fringe benefits for ASC county committee employees. p. H4173
3. LANDS. The Merchant Marine and Fisheries Committee reported with amendment S. 322, to restrict the disposition of lands acquired as part of the National Wildlife Refuge System (H. Rept. 1424). p. H4173
4. FOREIGN TRADE. The Ways and Means Committee reported with amendment H. R. 15798, to extend for an additional temporary period the existing suspension of duties on certain classifications of yarn of silk (H. Rept. 1419). p. H4173
5. FOOT-AND-MOUTH DISEASE; TOBACCO. The Agriculture Committee reported without amendment H. R. 16451, to cooperate with Central America in the eradication of foot-and-mouth disease (H. Rept. 1422), and with amendment H. R. 17002, to permit transfer of tobacco allotments by lease without clearance from lienholders (H. Rept. 1423). p. H4173
6. TAXATION. Passed, 284-89, with amendment S. 2158, to regulate and foster commerce among the States by providing a system for the taxation of interstate commerce (pp. H4128-32, H4135-63). Adopted an amendment by Rep. Smith, Iowa, to provide that the individual can be taxed on income only in one State, as amended (pp. H4158-62). Rejected a motion by Rep. Hutchinson to recommit the bill (p. H4162). The committee report states that "in its amended form the bill expands the definition of 'business location' to include the regular maintenance of a stock of tangible personal property which is held for sale in the ordinary course of business...facilitates the offering by the States, under income and capital stock tax laws, of tax incentives to attract industry into a State, as well as tax incentives for such purposes as water or air pollution abatement." Rep. Burke, Mass., stated that on May 29 he will "offer a motion to instruct the managers on the part of the House at the conference on the bill, H. R. 15414, the tax bill, to insist on an expenditure reduction for fiscal year 1969 of \$4 billion, instead of a \$6 billion cut." p. H4163
7. FORESTRY. The Interior and Insular Affairs Committee voted to report (but did not actually report) H. R. 16429, to provide for the conveyance by Interior of certain lands in Grand and Clear Creek Counties, Colo., in exchange for certain national forest lands, and H. R. 3306, to hold in trust the watershed within the Carson National Forest for the Pueblo Indians. p. D468
8. BUILDINGS; WATERSHEDS. The Public Works Committee voted to report (but did not actually report) H. R. 6589, amended, to require Federal buildings to be accessible to physically handicapped persons; and approved 13 watershed projects. p. D466



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Congressional Record

PROCEEDINGS AND DEBATES OF THE 90th CONGRESS, SECOND SESSION

Vol. 114

WASHINGTON, WEDNESDAY, MAY 22, 1968

No. 88

House of Representatives

The House met at 12 o'clock noon.

The Chaplain, Rev. Edward G. Latch, D.D., offered the following prayer:

Cast all your cares upon God, for He cares for you.—1 Peter 5: 7.

O God, our Father, whose grace is sufficient for every need and whose spirit makes us adequate for every worthy endeavor, we take this time to lift the windows of faith, to open the doors of hope, and to part the curtains of love that the greatness of Thy truth and the wisdom of Thy way may be made known to us. In Thy light may we see the way clearly and by Thee be given courage to walk in this day and all our days.

Bless our men and women over the world who live and fight and work for freedom. As free men and as good men may we make our Nation Thy channel for the light of liberty to shine upon the people on this planet.

"Unite us in the sacred love
Of knowledge, truth and Thee;
And let our hills and valleys shout
The songs of liberty.

"Lord of the nations thus to Thee
Our country we commend;
Be Thou her refuge and her trust,
Her everlasting friend."

Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate had passed a bill of the following title, in which the concurrence of the House is requested:

S. 3068. An act to amend the Food Stamp Act of 1964, as amended.

PERMISSION FOR SUBCOMMITTEE ON HOUSING, COMMITTEE ON BANKING AND CURRENCY, TO SIT DURING GENERAL DEBATE TODAY

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the Subcommittee on Housing of the Committee on

Banking and Currency may be permitted to sit during general debate today.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

FLAG DAY CEREMONIES—AUTHORITY FOR SPEAKER TO DECLARE RECESS ON JUNE 14

(Mr. ALBERT asked and was given permission to address the House for 1 minute.)

Mr. ALBERT. Mr. Speaker, the 191st anniversary of Flag Day will be celebrated on Friday, June 14, 1968. It was on Saturday, June 14, 1777—the very day on which the Continental Congress commissioned Capt. John Paul Jones to command the ship *Ranger*—that the Continental Congress adopted a resolution providing:

That the flag of the thirteen United States be thirteen stripes, alternate red and white; That the Union be thirteen stars, white in a blue field, representing a new constellation.

During the ensuing 190 years, 37 stars have been added to that blue field, and the American flag has continually stood as a true symbol of liberty.

In 1917, during the First World War, President Wilson issued the first Presidential proclamation calling upon the entire Nation to hold appropriate ceremonies on June 14 to honor our flag. Last year the House of Representatives, under the able leadership of Representatives Brooks, Nichols, Roudebush, and Hall, reinstituted dignified and appropriate Flag Day ceremonies in this Chamber which had for many years been inspired by our now deceased colleague Louis C. Rabaut.

Mr. Speaker, because I believe it important that the House of Representatives continue this tradition to again give honor to our Stars and Stripes and to the principles which our flag symbolizes, I ask unanimous consent that it may be in order at any time on Friday, June 14, 1968, for the Speaker to declare a recess for the purpose of observing and commemorating Flag Day in such manner as the Speaker may deem appropriate and proper.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

DESIGNATION OF MEMBERS TO COMMITTEE ON FLAG DAY CEREMONIES

The SPEAKER. The Chair may state for the information of the Members of the House that after consultation with the distinguished minority leader the Chair has informally designated the following Members to constitute a committee to make the necessary arrangements for appropriate exercises in accordance with the unanimous-consent agreement just adopted:

The gentleman from Texas, Mr. Brooks; the gentleman from Alabama, Mr. Nichols; the gentleman from Indiana, Mr. Roudebush; and the gentleman from Missouri, Mr. Hall.

RESURRECTION CITY VISITS

(Mr. BUCHANAN asked and was given permission to address the House for 1 minute.)

Mr. BUCHANAN. Mr. Speaker, in fulfillment of a commitment to a constituent, I paid a visit to Resurrection City this morning and was courteously but firmly denied access to the campgrounds. I was first informed that visitors were not permitted there until after services. I waited until after the services which were then in progress and was informed at the conclusion of the services that no visitors except the press would then be admitted. Now, since the evident purpose of the march is to present the case of these folks to the Congress, it seems strange to me that a Member of Congress would not be permitted to visit them and try to get the facts. Second, it would seem passing strange to me that any American citizen should be denied access to public property, even down to and including Members of Congress.

ESTABLISHMENT OF NATIONAL SEVERE STORM SERVICE

(Mr. WINN asked and was given permission to address the House for 1 min-

ute and to revise and extend his remarks and include extraneous matter.)

Mr. WINN. Mr. Speaker, I wish to direct the attention of my colleagues to H.R. 16767, which is a bill that I have introduced for the purpose of conducting a comprehensive study of tornadoes, squall lines, and other severe storms, and to develop methods for detecting storms for prediction and advance warning, and to provide for the establishment of a National Severe Storm Service.

The importance of this legislation is demonstrated by the destructive onslaught of tornadoes which swept the Midwest on May 15 and 16, leaving approximately 70 persons dead and property damage reaching into the millions of dollars. The tornadoes covered a nine-State region and was one of the most extensive outbreaks of severe storms on record. Wapella, Ill., a small central Illinois community of 500, was 90 percent in ruins. Every building in the community except the high school was damaged or destroyed, and four people were killed. The heaviest death toll, however, occurred at Jonesboro, Ark., where 33 people were left dead by the storm.

The Weather Bureau said that this rash of tornadoes was caused by a mass of cold air flowing southward which collided with warm, humid air from the Gulf of Mexico. I submit that more intensive research of these storms is necessary to permit earlier forecasting and detection of violent storms. If the forces which combine to produce severe storms are better understood, then the detection of the presence of potentially dangerous conditions will permit earlier forecasting and thus reduce the loss of life resulting from such storms.

This is the goal of my bill, and I strongly solicit the support of my colleagues in obtaining its passage.

CONSUMER CREDIT PROTECTION ACT

Mr. PATMAN. Mr. Speaker, I call up the conference report on the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of May 20, 1968.)

The SPEAKER pro tempore. The gentleman from Texas [Mr. PATMAN] is recognized for 20 minutes.

Mr. PATMAN. Mr. Speaker, I yield myself such time as I may consume.

(Mr. PATMAN asked and was given permission to revise and extend his remarks.)

Mr. PATMAN. Mr. Speaker, the presentation of this conference report on the Consumer Credit Protection Act, the truth-in-lending bill, represents the culmination of nearly 8 years of hard work.

In my opinion, no statement on this subject and legislation can begin or end without paying tribute to that great former Senator from Illinois, Senator Paul H. Douglas, for the time and effort he spent on this subject. Nor in my opinion can anyone discuss this legislation without paying tribute to that great lady from Missouri, the Honorable LEONOR K. SULLIVAN, whose commitment to principle and tenacity on all consumer legislation stands her second to none in this Congress.

Mr. Speaker, the conference meetings on this legislation were, in my opinion, as arduous and hard-fought as any conference in which I have had the honor to participate as a representative of this great body.

In my opinion, it is fair to say that in all major instances the House view on this legislation prevailed. In summary, the conference report on the major issues contained in the House bill provides as follows:

TITLE I, SECTION 106: DETERMINATION OF FINANCE-CHARGE

The House bill originally provided that all mandatory credit charges be included in the determination of the finance charge except for certain legal fees prescribed by law and closing costs in real estate transactions.

The conference report limits the broad House definition and excludes charges for credit life and accident and health insurance if they are not a factor in the approval of the credit and, in the case of other kinds of insurance, if no opportunity is given to the debtor to purchase the insurance elsewhere.

The conference report also excludes the total cost of credit from the determination of the finance charge with respect to real estate transactions. With these limitations, the House bill prevails on this point.

SECTION 125: RIGHTS OF RESCISSION ON CERTAIN TRANSACTIONS

This section, passed by the House, deals primarily with mortgage transactions where unwanted home improvements are sold to homeowners by sharp or fraudulent operators. The section remains substantially the same in the conference report, except that the 3-day notice before such contracts are executed has been changed to a 3-day right of rescission after the contract is executed. The manner of rescission is left to regulation by the Federal Reserve Board.

SECTION 127: OPEN-END CONSUMER CREDIT PLANS

The Senate bill exempted revolving credit plans from annual rate disclosure. The conference report requires that the annual percentage rate of charge be disclosed on these accounts. If there is a minimum charge of 50 cents or less, such a charge need not be included in the determination of the annual rate. In addition, the conference report permits the creditor, if he so desires, to state an effective annual rate of return received from accounts under his plan or representative period of time, subject to Federal Reserve Board regulation. Thus, we have maintained our basic position of annual rate disclosure on revolving charge accounts.

SECTIONS 128 AND 129: INSTALLMENT SALES AND CONSUMER LOANS

Both the House and Senate bills provided that the finance charges on all installment and loan transactions be expressed as annual percentage rates, but, the Senate bill exempted finance charges of \$10 or less from the computation. This matter was compromised substantially in favor of the House version so that if the finance charges not exceeding \$5 on a sale up to \$75, or \$7.50 on a sale or loan over \$75, then the finance charge need not be expressed as an annual percentage rate.

CHAPTER 3: CREDIT ADVERTISING

The House bill's strong section regulating the many and varied credit advertising abuses remains substantially the same. In essence, our bill required that if any specific credit terms are expressed in an ad, then the complete picture, all of the credit terms, must be set forth in the same ad. The Senate bill had no provisions whatever on this subject. We are pleased to report that the substance of the House bill was retained after one or two minor amendments.

TITLE II: EXTORTIONATE CREDIT TRANSACTIONS

Our bill sought to control, in some degree, the vicious billion dollar a year loansharking racket by making extortionate extensions of credit subject to a fine of not more than \$10,000, imprisonment of not more than 20 years, or both. Extortionate credit is defined as an extension of credit where failure or delay in repayment could result in the use of violence or other criminal means against the debtor.

There was no similar Senate provision. The conferees accepted the House proposal. Although the bill will not eliminate completely this horrible practice, it will serve as a useful first step for stronger legislation in the future.

TITLE III: RESTRICTION ON GARNISHMENT

The Senate bill did not consider garnishment. Our bill provided the first Federal limitation on the amount of an employee's wages that could be subjected to garnishment. We did so because of the overwhelming number of cases where credit is extended on the strength of a States garnishment laws rather than on the ability to pay. This has resulted in an alarming increase in the rate of personal bankruptcies, unwanted bookkeeping burdens on employers, and, in some cases, the discharge of employees. The House bill limited garnishment to 10 percent of an employee's earnings over \$30 per week and prohibited discharge for the first garnishment. In addition, we exempted State laws which call for more limited garnishments.

The conferees agreed to a compromise exempting 25 percent of an employee's earnings with an amount equal to 30 times the Federal minimum wage—at present \$48—as the minimum exemption. The House provision on discharges remains intact. The Secretary of Labor can exempt States which have exemptions substantially similar to the Federal law. We feel that this compromise was reasonable and affords the wage earner at

least some relief from burdensome garnishments.

I want to point out that the Federal minimum wage rate referred to in section 303(a)(2) is always the top rate. That section contains a specific cross-reference to section 6(a)(1) of the Fair Labor Standards Act of 1938 because we did not want to pick up any of the exceptions to that rate. Also, it should be clearly understood that the garnishment exemption applies to any debtor, regardless of whether his earnings are subject to the Fair Labor Standards Act.

TITLE IV. NATIONAL COMMISSION ON CONSUMER FINANCE

The House provision for this national Commission was agreed to without change by the Senate. It may well be the greatest accomplishment in the bill. The Commission will undertake detailed studies and analyses of all phases of consumer credit practices. This will be the first time that such a study will have been made and the recommendations flowing therefrom may well result in a much-needed revamping of consumer credit practices in this country.

In conclusion, Mr. Speaker, I wish to again pay tribute to former Senator Douglas; the Honorable LEONOR K. SULLIVAN; the chairman of the Senate Banking and Currency Committee, Senator SPARKMAN; Senator WILLIAM E. PROXMIRE, who sponsored S. 5 in the Senate; and all of the conferees for presenting the Congress a consumer protection bill for which we can all be justifiably proud.

Mr. WIDNALL. Mr. Speaker, I yield myself 5 minutes.

The SPEAKER pro tempore. The gentleman from New Jersey is recognized for 5 minutes.

Mr. WIDNALL. Mr. Speaker, I think it is most unfortunate that we have been involved in the colloquies that have taken place. I had just felt coming into the House Chamber today that it was a real proud day for the House to have this conference report called up, as there is much credit for the success of the conference to be attributed to the unified position of all of the House conferees in support of the House-passed provisions.

Mr. Speaker, this a proud day for the House. Seldom in my memory can I recall the position of the House being so well maintained in conference with the Senate as was the case with the truth-in-lending bill. Of the numerous and far-reaching provisions in dispute, the House position prevailed on virtually all. I think much of the credit for our success in conference can be attributed to the unified position of all of the House conferees in support of the House-passed provisions.

Mr. Speaker, I think it is unfortunate that most of the controversy and virtually all of the newspaper, television and radio discussions of truth-in-lending concentrated on the issue involving revolving credit and the manner in which finance charges would be disclosed—either periodic or annual. It is unfortunate because, while revolving credit is a rapidly growing form of consumer credit, it still only represents a very small percentage of the total consumer credit outstanding in the United States today.

Moreover, we should be reminded of the fact that revolving credit is essentially a form of credit used by good credit risks, namely, middle and upper-middle-income families shopping at established and generally large retail stores. The vast majority of consumer credit is of the installment variety, and with regard to the finance charges of installment credit there never was any real controversy over the manner in which finance charges would be disclosed. Nevertheless, I was extremely pleased that the conference accepted my amendment which will insure that disclosures of finance charges on installment credit will be treated very similar to the manner in which charges on revolving credit is revealed.

I would like to make a few predictions on the impact that this legislation will have. First, the provisions governing credit advertising may prove to be the most important provisions of the truth-in-lending legislation. To a very large extent, fraudulent and misleading credit advertising will be prohibited with a resultant effect that those who advertise will more than likely concentrate on the product, the price of that product and the reputation and service of the store seeking to generate sales through such advertisements.

Second, the garnishment section of the bill, while very controversial, goes to the heart of one of the most vexing problems facing our Nation today. As revealed by recent Federal Trade Commission studies, there is little or no price competition among retailers within the low-income sections of our cities. Often, retail prices for consumer durables are two and three times those charged for the same product a few blocks away at established stores. The reason such prices can be charged is that the ghetto retailers offer so-called easy credit terms for high-risk customers. It is the feeling of many that much of this high-risk easy credit for exorbitantly priced goods will be more controlled with a Federal limitation on the amount that can be garnished from a debtor. Without that protection, these merchants will have to make a better effort to determine credit risk, and to the extent that this occurs, more business will flow to those stores who charge much lower prices for higher quality goods.

Title II, generally called the loan-sharking provision, for the first time makes the extortionate extension of credit a Federal crime. It cannot be said too often that Federal disclosure legislation has little or no effect on loan-shark operations, in that loan sharks never advertise, never send out bills or written contracts, and only maintain records that are available to the hierarchy of organized crime itself.

Senate hearings currently being held point out that loan shark interest rates of 100 to 1,000 percent annually can be charged and collected only because the threat of violence to person, property, or the reputation of the debtor is implicit in virtually all loan shark arrangements. While all income levels suffer from the multibillion-dollar loan shark racket, there can be no question that title II will provide immediate and beneficial relief to those low-income persons who often

resort to the loan shark because they have either not established credit at a bank, store, or credit union, or they are reluctant to even make the first approach.

Mr. Speaker, I feel safe in predicting that the net effect of this bill will be to generate unimagined new business to established and reputable retailers and credit institutions. This eventually will take hundreds of millions—if not billions—of dollars worth of business annually from those who have charged exorbitant rates of interest and finance charges through the ignorance of the public or through deceptive and misleading advertisements, contracts, and billing statements.

At the same time, let us not for a moment feel that we have finished the task. The Federal Trade Commission report on ghetto merchants reveals that easy credit for high-risk customers is for the most part hidden in exorbitant prices and low quality merchandise. Nothing in this bill requires the disclosure of credit charges hidden in price—in short, what I have come to call the “price loophole mechanism.” This bill represents only the first step toward providing credit at reasonable rates for all Americans. Hopefully, it will renew the interest of retailers, banks, savings and loans, and credit unions in attempting to find ways in which credit can be extended to those who have traditionally resorted to the highest cost credit and retail establishments, where outright fraud and deception and exorbitant prices are the rule rather than the exception. In this regard, I think the conference report failed in only one respect. The compromise on the so-called \$10 exemption may force banks, and someday perhaps, savings and loan institutions, out of the accommodation loan business. The compromise on the \$10 exemption provides little or no relief and I do fear that much of the several hundred million dollars of loans a year—small accommodation loan business—provided by banks will be diverted to small loan companies where credit charges are much higher.

It is my hope that the Commission established by this bill will study this situation very carefully and advise Congress accordingly.

Mr. Speaker, the 90th Congress has been called the Consumer Congress because we have taken such an interest in consumer oriented legislation. Clearly, the initiative for this legislation originated with the legislative branch and not the executive. I need not add to what others have said as to the role of my very dear friend, former Senator Paul Douglas. Moreover, on the House side it is only appropriate that a lady, Mrs. SULLIVAN, took the lead and provided the inspiration for many new provisions which upon their introduction were thought to have little chance of enactment. On the minority side the leadership provided by the distinguished minority leader, Mr. GERALD R. FORD, as well as Congressmen POFF, McDADE, and CAHILL, provided for us floor victories on provisions affecting loan sharking and the home improvement scandals that few anticipated.

It is with a deep sense of personal satisfaction that I wholeheartedly support the adoption of this conference report.

Mr. PATMAN. Mr. Speaker, I yield 5 minutes to the distinguished gentlewoman from Missouri [Mrs. SULLIVAN].

(Mrs. SULLIVAN asked and was given permission to revise and extend her remarks.)

Mrs. SULLIVAN. Mr. Speaker, before I say anything at all about the landmark legislation we are now about to pass in final form in the House of Representatives, I want to express my deep appreciation—my personal gratitude and the gratitude of all consumers in the United States—to the chairman and the ranking minority member of the House Committee on Banking and Currency, Congressman WRIGHT PATMAN, of Texas, and Congressman WILLIAM WIDNALL, of New Jersey, for the leadership and the great skill which they demonstrated in the conference between the House and Senate on the Consumer Credit Protection Act.

HOUSE CONFEREES STOOD TOGETHER

All of the House conferees, Representatives BARRETT, REUSS, ASHLEY, MOORHEAD, FINO, and DWYER, played a significant role in the hard battle which we had to wage over a period of 6 long weeks and many, many hours of discussion and debate with our Senate colleagues, to win acceptance of all of the basic principles contained in H.R. 11601 as it passed the House on February 1.

The conferees from the Senate side are all experienced legislators with great parliamentary skill and strong convictions. During most of the 6 weeks of our conferences, we were in a virtual state of stalemate on the major issues. There was always the danger that the conference would end in a deadlock with the possibility that no legislation at all would be passed or that the limited coverage of the Senate bill would be all we could agree on. It was in this situation that Chairman PATMAN's splendid leadership was invaluable in holding the House conferees together while at the same time constantly evidencing a willingness to negotiate every point in disagreement.

SENATOR PAUL H. DOUGLAS PIONEERED THE WAY

And, of course, when we talk about the credit for this historic legislation, all thoughts invariably turn to the role played by former Senator Paul H. Douglas of Illinois whose concept of "truth in lending" is now solidly incorporated into the Consumer Credit Protection Act as its title I and the name of that title is the Truth in Lending Act.

The Senators were indeed hard bargainers and they won important concessions from the House on the scope of many of the consumer protections in the bill. In return, they finally agreed to all of the major provisions of the House bill which had not been included in the Senate-passed bill. Thus, there is a solid foundation in the bill as it now stands for future improvements based on experience under the legislation and also based on the recommendations which we will eventually receive from the proposed National Commission on Consumer Finance created by title IV of the act. So we have made more than just a start on

the problem of protecting the consumer in the use of credit, and encouraging the intelligent use of credit; we have made, I am happy to say, a very important and far-ranging beginning in this field.

The bill which passed the Senate last July 11 was milestone legislation in that it was the first time that either House had ever passed legislation guaranteeing to the consumer the right to a full itemized accounting in dollars-and-cents terms of the cost of credit in any consumer credit transaction other than a first mortgage. In addition, and again except for first mortgages, and also consumer credit transactions where the interest or finance charges amounted to less than \$10, the Senate bill required that the lender or the seller give to the borrower or to the buyer an equivalent or nominal percentage rate of the finance charge on an annual basis. However, in the case of department store revolving credit, only the monthly percentage rate would have had to be revealed.

HOUSE SUBCOMMITTEE WAS READY TO ACT

As the principal sponsor on the House side of Senator Douglas' bill during the period when his legislation was being held up in the Senate Banking and Currency Committees, I had discussed with Senator Douglas the timing of House hearings on truth in lending. It was our combined judgment that unless and until he could get the bill out of his committee in the Senate, no legislative purpose would be served by conducting hearings in the House. But with his encouragement, my Subcommittee on Consumer Affairs began collecting information and data of all kinds on the misuse and abuse of credit and the consequences of such practices as they revealed themselves in the small claims courts, in garnishment actions, and in the alarming increase in personal bankruptcies. When S. 5 passed the Senate last July, therefore, we were ready to begin immediately to schedule hearings and to begin working on legislation on the House side.

But by that time I had become completely convinced that mere disclosure of the credit costs was not sufficient protection for the consumer in the use of credit, and the result was the introduction on July 20—9 days after Senate passage of S. 5—of H.R. 11601, the Consumer Credit Protection Act. Five members of the subcommittee joined me in cosponsoring this historic piece of legislation: Representatives GONZALEZ, MINISH, ANNUNZIO, BINGHAM, and HALPERN—a bipartisan group which demonstrated, I believe, real courage in lending their names to what many Members of Congress assumed was a hopeless cause.

HOUSE HEARINGS DOCUMENTED NEED FOR ALL PROVISIONS OF FINAL BILL

Our 2 weeks of hearings, mornings and afternoons, in early August brought out, I believe, overwhelming documentation for the inclusion in this legislation of every one of its provisions as the bill now stands. Nevertheless, as the Members know, we divided in the subcommittee 6 to 6 as between the Senate-passed bill, and the much more comprehensive H.R. 11601. Subsequently, H.R. 11601 was called before the full committee, and although approved there, it was

amended 17 to 14 to include the revolving credit exemption voted by the Senate and by a vote of 18 to 12 to exempt from rate disclosure all consumer credit transactions where the finance charge was \$10 or less, as also contained in the Senate bill.

On January 31 and February 1, when the bill was before the House, we succeeded in removing those exemptions and also in strengthening the bill in several very important respects, including the Cahill amendments on second mortgages, and the Poff amendment on organized criminal loan-sharking activities. And this was the package we took to conference and, with some modifications, this is the package which is now before the House for final passage.

But, as I said, we did have to make some important concessions reducing, somewhat, the consumer protections in the bill.

THE REVOLVING CREDIT PROVISIONS

On revolving credit, for instance, in order to retain the basic requirement of the House bill that the monthly charges for credit must be annualized on a nominal annual percentage rate basis—in other words a 1½ percent service charge must be translated also into terms of a nominal annual rate of 18 percent, which it is—we had to agree to exempt from the rate computation any minimum charge made by the stores up to 50 cents a month. Under the Senate bill a minimum charge was exempted from rate computation regardless of its amount. The stores had been seeking an exemption of up to \$1 a month for revolving credit accounts. In some States they have imposed 70 cent minimum charges on all revolving credit accounts. So if your monthly unpaid balance is only \$10 and the service charge is the 70-cent minimum instead of the 15-cent charge which would be the result of applying the 1½-percent rate, the store would actually be charging at the annual rate of 84 percent for its revolving credit. I am just using that as an illustration—an example. Seventy cents a month is the minimum generally charged in Pennsylvania, I believe, and was the minimum charged in Massachusetts also until the State lowered it to 50 cents.

A 50-cent minimum monthly charge represents a 1½-percent assessment on a \$33 balance. So under the conference bill, if your unpaid balance is less than \$33, and the store charges a 50-cent minimum service charge, you would actually be paying at a rate of more than 1½ percent a month and more than 18 percent a year, but the store would not have to reveal the actual rate.

MINIMUM CHARGES NOT REQUIRED BY BILL

Now I want to make clear that there is nothing in this bill which forces a store to charge any minimum or any maximum rate for credit. We do not regulate rates. All the bill does with its 50-cent exemption is to make it possible for the stores to impose a minimum charge on smaller balances without having to reveal the actual rate of that monthly charge. I stress that because there is always the possibility that many stores which do not now have minimum charges will proceed to put them into effect and indicate or im-

ply that there is something in the Federal law which requires them to charge the customer 50 cents a month minimum on revolving credit accounts.

On the other hand, if their service charge exceeds 50 cents a month—say it is \$1—then the service charge would have to be translated into an annual rate; a \$1 service charge on a \$10 balance would annualize to a rate of 120 percent. And that rate would have to be revealed under this legislation. The rate would vary, of course, depending upon the amount of the service charge and the amount of the unpaid balance on which the charge is assessed.

One other provision of the compromise agreement on revolving credit should also be mentioned: We specify in the bill that the seller must give the monthly rate and the annual rate of its revolving credit charges unless they are 50 cents or less. So typically, a department store would notify the customer that it charged 1½ percent on the unpaid balance or at a nominal annual rate of 18 percent a year. But then the store would have an option to add to that information a third percentage figure—that is, the store's average annual yield on its revolving credit accounts.

FEDERAL RESERVE TO SET CRITERIA

The Board of Governors of the Federal Reserve System will be required to issue the criteria for determining that percentage rate on yield from revolving credit accounts, and I imagine that most of the stores which offer revolving credit will be able to develop a figure from their accounts which would be less than 18 percent actual interest on revolving credit. That is because many customers pay their bills each month without incurring a credit charge except in rare instances, while others pay off the account in a few months. When you consider the 30-day or longer grace period, or "free ride" most stores offer the customer on revolving credit accounts, it can be readily seen that the rate of return to the store on revolving credit would be generally less than 18 percent, although I can think of instances where it would be substantially more, particularly if minimum charges are widely utilized.

It was always the position of the House on this legislation that the stores offering revolving credit could explain to their customers the difference between the actual yield to the store on revolving credit accounts and the nominal annual rate it charges for revolving credit. So this third proviso is in no sense a reduction in consumer protection; in fact, by requiring the Federal Reserve to issue regulations specifying how the effective yield is to be determined from the store's accounting system, the consumer will have assurance that the yield rates which are claimed are reliable and accurate.

But we did give in, as I said, on this question of minimum charges, although we were able to hold that level to a moderate 50 cents a month.

THE \$10 EXEMPTION ISSUE

The bill, as it now stands, exempts from rate disclosure—but not from dollars-and-cents disclosure—the charges made for loans or installment credit of \$75 or more if the credit charge is \$7.50 or less.

On loans or installment purchases amounting to less than \$75, a credit charge of \$5 or less can be imposed without the necessity to translate that into an annual percentage rate. This is a compromise between the no-rate-exemption position of the House and the \$10 exemption provision passed by the Senate and is somewhere midway between the two positions.

Incidentally I might say that the proposed National Commission on Consumer Finance has been given a high priority assignment by the conferees to investigate this whole subject of minimum charges on installment credit or on revolving credit and to make recommendations to the Congress for possible changes in these sections of the law. The conferees felt that there was no clear-cut and reliable information available to us at this time on the actual costs to credit vendors of these credit plans in relation to their value to the stores in promoting the sale of merchandise. The claim had been made that it costs a department store about 90 cents a month to finance the bookkeeping costs of a revolving credit account. Well, of course, it costs them the same amount to cover the cost of a 30-day charge account, on which there is no service charge, and so the House conferees felt, and the Senate conferees agreed, that this whole area of credit costs in relation to the use of credit as a sales tool should be studied for our future guidance.

ADVERTISING OF CREDIT; CREDIT LIFE INSURANCE

The Senate bill did not apply to the advertisement of credit. The House bill required that when certain specific credit terms were specified in an advertisement, all of the relevant information on credit terms would have to be given in the same advertisement. The conference bill incorporates the House position.

The House bill considered mandatory credit life insurance as a part of the finance charge on which the percentage rate must be revealed. The Senate bill exempted credit life insurance from this requirement. In the final bill, credit life insurance is included in the finance charge if the consumer does not have a free opportunity to decide whether he wants the coverage, or if the insurance is a factor in the extension of credit. So the House position prevails. It prevails also in the treatment of other forms of insurance in connection with consumer credit transactions, such as liability or casualty insurance, but with language changes to make the intent of this provision more specific than the House bill did. It is the tie-in deal on casualty insurance, where you have to take the policy from a particular seller, that we were most concerned about covering in the finance charge.

ADMINISTRATIVE ENFORCEMENT

On administrative enforcement of the disclosure requirements, the House provision prevails. The Senate had passed what was, in effect, a self-enforcement measure under which the aggrieved consumer would have had to file his own law suit in order to recover damages for not having been given the facts he was entitled to have. Our bill assigns enforcement responsibilities to existing governmental agencies, with the Federal Re-

serve having overall responsibility for issuing all regulations on the disclosure requirements. The conference bill contains the same criminal penalties as were in both the House and Senate bills.

UTILITY BILLS

Both bills were silent on the question of charges for late payment of utility bills. But if these extra charges are a penalty add-on to the utility tariffs, they would have had to be stated on an annual percentage rate basis under the House bill; however, if the utility offers a discount for prompt payment, it would have been exempt from this requirement. The conference substitute expressly exempts any utility late-payment charges regulated under State utility laws, but the conferees were agreed that this exemption applied only to extra charges on utility services and not to finance charges for appliances or things of that kind bought on the utility bill.

DOLLARS PER HUNDRED ON THE UNPAID BALANCE

On a very technical point, on which the bankers had made quite a point in letters to Members of the House, the House conferees gave in to the Senate position with a modification. This was on the use of the euphemism "dollars per hundred per year on the unpaid balance" instead of the annual percentage rate we require to be stated on loans or installment sales under the bill. The two figures come out exactly the same—an 11-percent annual rate on an automobile financing transaction would translate into \$11 per \$100 on the unpaid balance. The bankers had called for this mild deception in terminology out of fear that some court in some State might hold that the annual percentage rate revealed under this act was actually an annual interest rate, and that it exceeded the State's usury ceiling. We had always made clear that the percentage rate of the finance charge revealed under the bill was not to be considered an interest rate—it usually includes other fees and charges in addition to interest, and should not be held to be a violation of a State usury ceiling.

The Senate had permitted the use of the dollars-per-hundred term until January 1, 1972, in order to give the States time to change their usury laws, if that appeared necessary to avoid conflict between Federal and State statutes on this point. We agreed to this with an amendment cutting the deadline back to January 1, 1971. This will perhaps make for some confusion on the part of consumers in trying to understand these percentage rates and equivalent terms, so we will all have to start educating the public that "dollars per hundred" as used under this law is supposed to mean the same as the annual percentage rate.

On the effective date of title I on disclosure, we yielded to the Senate. I had said on the House floor on January 31 that I would be glad to yield on that in conference if the Senate yielded on the things we wanted.

FIRST MORTGAGES

The conference substitute applies to first mortgages—which were exempted entirely from the Senate bill—nearly all of the disclosure requirements applying to other forms of consumer credit. The

main exception is the total amount of the dollar cost of the finance charge over the life of the mortgage. This exemption or exception applies, however, only to purchase-money first mortgages, not to refinancing. There is also an exemption in the conference substitute for purchase-money first mortgages from the 3-day cancellation privilege accorded to debtors on all other mortgages on residential real estate. Furthermore, the House, as passed on February 1, had exempted residential real estate from some of the specific terms of the advertising disclosure requirements of the bill, and that exemption also remains.

On the whole, the first mortgage coverage in the conference substitute should protect consumers without causing further problems for the depressed home building and real estate industries, which had feared that if the prospective purchaser had to be told the full cost of the interest and credit charges over the life of the long-term mortgage, he would be shocked at the total and run away from the deal. I don't think that would happen. I think a family buying a home, particularly for the first time, should be given this information on total interest cost so as to be able to decide more intelligently on how long to have the mortgage run, and what monthly payments to make in order to reduce the total of interest payments. Nevertheless, as long as we did not exempt all first mortgages without regard to the nature of the mortgage, as the Senate bill had done, I was willing to agree to this modification in our position on purchase-money first mortgages.

In return, the Senate conferees let us apply all the disclosure requirements without exception to all other mortgages, including the so-called racket second mortgages which sometimes end up as first mortgages on the homes of elderly couples or widows.

GARNISHMENT

By far, the biggest controversy in the whole bill—even larger than the controversy over revolving credit—involved the subject of garnishment. In H.R. 11601 as originally introduced, we proposed the complete abolishment of this modern-day form of debtors' prison. I think all of the original sponsors of H.R. 11601 agreed with me then, and still do, that this cruel device should be outlawed, as has been done in Pennsylvania and Texas, and virtually so in Florida, North Carolina, and some other States.

But we were willing to listen to the weight of the testimony that restriction of this practice would solve many of the worst abuses, while abolishment might go too far in protecting the career deadbeat. So, based on a modification of the generally successful New York State law, the gentleman from New York [Mr. HALPERN], a sponsor of the bill, drafted a good substitute proposal which we approved in the full committee and which won the approval also of the House.

It provided that the first \$30 of any worker's weekly paycheck would be exempt from garnishment, and 90 percent of the remainder. The Senate conferees would not accept it. Finally, they agreed to a substantial modification of the pro-

posal, which would exempt only 75 percent of a worker's pay, after required deductions for taxes or any other deductions required by law, with a guaranteed floor on garnishment of 30 times the hourly minimum wage—\$48 a week at the present minimum wage level of \$1.60 per hour. So a man making less than \$64 after taxes would have less than 25 percent of his pay garnishable—while those making over that amount would have no more than 25 percent taken in garnishment to satisfy debts. As was true in the bill which passed the House, garnishments for taxes and support orders would not be affected. Also as the House bill required, no worker could be fired by reason of having his pay garnished for a single indebtedness. This last provision should go far to cut down on the alarmingly high rate of personal bankruptcies filed by workers who fear automatic dismissal from employment if their pay is garnished even once.

Unfortunately, we had to agree to delay the effectiveness of the garnishment title for more than 2 years—to July 1, 1970. This delay is intended to give the States time to modernize their generally obsolete and extremely harsh garnishment laws, since there is provision permitting the Secretary of Labor, who administers this title, to exempt from the Federal statute any State whose law on the subject is substantially similar to the Federal law.

FEDERAL AND STATE PROVISIONS

For the lowest income workers, most State garnishment laws are now less protective than the provisions of the conference bill prohibiting garnishment of any part of a worker's aftertax, take-home pay of \$48 a week or less. On the other hand, many of the States have laws which exempt more than 75 percent of pay, and it is our specific intent that where the State law is more protective in a particular situation, the worker should receive the benefit of the better of the two laws, Federal or State, in that instance.

Title III of the bill may very well turn out to be the most important of all of the provisions of this legislation, not only for what it does to help consumers directly, but also in the reforms it stimulates in State garnishment laws and in credit-granting practices. Garnishment generally—not always, but generally—is the principal factor behind predatory extensions of credit by gyp outfits. As long as they know they can squeeze unconscionable interest and credit fees out of a worker by garnishing his pay, these outfits have no hesitation to over-extend credit to poor and uneducated people who have no idea what financial quicksand they are getting into.

THE SECOND MORTGAGE RACKETS

In that connection, another provision of the bill is also vitally important. That is the Cahill amendment, or rather a series of amendments in the House, to strike at home improvement racketeers who trick homeowners, particularly the poor, into signing contracts at exorbitant rates, which turn out to be liens on the family residences. Any credit transaction which involves a security interest in property must be clearly explained to

the consumer as involving a mortgage or lien; any such transaction involving the consumer's residence—other than in a purchase-money first mortgage for the acquisition of the home—carries a 3-day cancellation right. As passed originally by the House, this provision required a 3-day waiting period before the contract could be signed. But the Senate objected to that and proposed instead the 3-day period of cancellation, with stated safeguards for both seller or lender, on one hand, or the buyer or borrower, on the other.

I do want to emphasize that the rights given to the buyer or borrower under the conference substitute have real teeth. When the creditor gives notice of intention to rescind, that voids the mortgage absolutely and unconditionally, regardless of whether either the debtor or the creditor does any of the things that section 125 requires be done subsequent to the giving of notice of intention to rescind. This would be true even where the original creditor had meanwhile negotiated the paper to some third party.

In this connection, I might point out that a lender who disburses funds, or a contractor who performs under his contract, would ordinarily be taking a risk if he did so before the contract and all the required information had been in the hands of the debtor for three full business days. That is why section 125(d) was included. Section 125(d) permits the board by regulation to deal with an emergency situation where the debtor really needs to have the money or performance right away.

EXTORTIONATE EXTENSIONS OF CREDIT

The loansharking provision in the final bill is completely different from the Poff amendment passed by the House and, we believe, is far more workable. It was drafted with great care and unanimously agreed to by the House conferees before we submitted it to the Senate conferees, and was unanimously agreed to by the Senate conferees.

WHOLE BILL WAS REDRAFTED

In fact, Mr. Speaker, the entire bill was redrafted from beginning to end by the House conferees before we went into conference. The wording of the conference substitute, except for modifications demanded by the Senate, represents largely a rephrasing and reorganization of the House-passed H.R. 11601 in structure and in language, but not in substance. While it is always possible that the courts someday might find inconsistencies or other faults in this legislation, I can assure the Members that more care was taken with the final drafting of this bill than of any legislation with which I have been associated in 16 years.

Much of the credit for that belongs to Mr. Grasty Crews II of the Office of the House Legislative Counsel, aided by staff members of both the House and Senate Banking and Currency Committees and of the Office of Senate Legislative Counsel.

The original concept and most of the provisions of the Consumer Credit Protection Act as far more than a disclosure statute grew out of the work of Charles B. Holstein, professional staff member of House committee assigned to the Sub-

committee on Consumer Affairs, who has worked continuously on this issue for 5 years, and Mr. Norman Holmes, counsel of the House Banking Committee until the bill was reported last December, and now on the staff of Vice President HUMPHREY. They organized the hearings, lined up the witnesses, and helped us get a good bill out of committee. The clerk and staff director, Dr. Paul Nelson, and staff attorneys Benet D. Gellman and James F. Doherty, and minority staff members Orman Fink and Richard Cook devoted endless hours to this legislation along with Mr. Holstein as it went through the House and then through conference.

These are the people whose work is so essential to any legislative achievement, but whose names seldom appear in the record. There were uncounted others from government and from the private sector—from consumer groups, labor unions, women's organizations, newspapers, magazines, radio and TV stations and networks, and also from private business who played enormously important roles in the development of this bill, from way back in the days when Senator Douglas first proposed truth in lending, and I hope I am able to find ways to pay full credit to all of them.

The Republicans in the House are understandably proud of their association with the extortionate credit title of the bill, title II. There is more than enough credit to go around. This has been a bipartisan bill from the beginning, through Mr. HALPERN's work on it and sponsorship of it, and I appreciate the help the minority gave on many of the substantive issues.

I am sure no one will think me overly partisan if I say that without the solid support of all of the senior Democrats of the House committee, and of other Democrats in the committee and in the House, too, this bill would never have been more than a thin shadow of what it is now.

So we can all claim our respective parts of it with pride. The important thing is that when the chips were down in conference, and it was a high-stakes confrontation, the House conferees, Democratic and Republican both, all stood together. I am proud of them.

Mr. WIDNALL. Mr. Speaker, I yield 5 minutes to the gentleman from New Jersey [Mr. CAHILL].

(Mr. CAHILL asked and was given permission to revise and extend his remarks.)

Mr. CAHILL. First of all, I thank the gentleman for yielding.

Second, I would comment that it is regrettable in my judgment that an honest mistake was not permitted to be corrected, by the action of the gentleman from Missouri [Mr. HUNGATE].

I hope the legislative history that is established in this dialog will, however, even though inadequate, be a substitute for the discussion we should have had.

I would like to say that in my judgment the conferees in relation to this bill, like they do in a great many other bills, have really become the third branch of the legislature. We now have the House of Representatives, the Senate and the conferees. Mr. Speaker one provision

at least in this conference report is completely different than that which was contained in the House bill; this provision was not in the Senate bill at all.

One of the amendments I presented and which was adopted unanimously by the House, required that a lender not only disclose to a borrower that a mortgage was being placed against his property but wherever a mortgage was used as collateral security for a loan, the borrower had to be notified 3 days before the settlement took place of the charges to be made by the lender. The obvious reason for that provision was to give the borrower an opportunity to refuse to go through with the transaction—not to get involved in purchasing something where he knew he just could not afford to pay the exorbitant rates that would be asked.

Mr. PATMAN. Mr. Speaker, will the gentleman yield?

Mr. CAHILL. I yield to the gentleman.

Mr. PATMAN. I am very much in sympathy with what the gentleman says; the House was for the gentleman's viewpoint—and we held the line. But in conference, as you know, somebody has to take as well as to give. It is a matter of compromise—it is always a matter of compromise. That is the way laws are made. It is just impossible for us to hold out for everything—we held 99 percent of the House bill, I believe. But as to that particular part, I was very much in sympathy with the gentleman and the other House conferees were. We did our very best, but we just could not keep everything. Of course, we wanted to bring and did bring a good bill back.

Mr. CAHILL. I will say this to the chairman, it is my understanding and I do not know whether it is correct or not, but it is my understanding that in conference this particular provision was adopted while a quorum call was in process in the House and while the Republican members were absent from the conference.

Mr. PATMAN. That is not correct. We had several long days of these conferences. This conference was about the hardest I ever was in in my life. I believe the other conferees will tell you the same thing. We tried our best but we could not get everything.

Mr. CAHILL. I will just say that I do not understand how it can be argued—and I will say I understand there has to be a compromise and I understand and I will accept the chairman's version that all of the House conferees were for the retention of the provision as it was originally drafted—but I will say I do not understand how it can be argued now that this is an adequate substitute because what we are really doing is—if a person borrows money and signs a mortgage—he has 3 days to rescind it. Obviously, the reason why he went through with the transaction and the reason why he borrowed the money was to make payment for something that he had purchased. It seems to me to say that 3 days after the fact is just as good as 3 days before the fact is just not good sense.

Now I would also like to ask the gentlewoman from Missouri some questions to establish some legislative history.

Does section 125(c) make written ac-

knowledge of receipt of information required under the Truth in Lending Act only presumptive evidence of delivery thereof, in any transaction involving a security interest, other than a purchase money first mortgage, in the debtor's residence?

Mrs. SULLIVAN. Yes, that is the intent.

Mr. CAHILL. So it is not conclusive; it is presumptive, is that correct?

Mrs. SULLIVAN. That is correct.

Mr. CAHILL. Would this apply regardless of whether the question arose in a suit for damages under section 130, an action to enforce the section 125 right of rescission, or otherwise?

Mrs. SULLIVAN. Yes. Section 125(c) is intended to establish a statutory rule of evidence that would apply in any action or proceeding whatever.

Mr. CAHILL. My last question is this: Is there any provision in section 125 or section 131 or any other provision in this legislation which makes written acknowledgement of receipt of information and disclosures conclusive proof of delivery thereof or compliance with the disclosure requirements in any action brought against an original lender?

Mrs. SULLIVAN. The answer is, "No."

Mr. CAHILL. So that it would not matter whether it was in respect to a mortgage or a nonmortgage transaction? The receipt is presumptive evidence. It is rebuttable and it is not conclusive.

Mrs. SULLIVAN. That is the intent.

Mr. CAHILL. I thank the gentlewoman.

Mr. WIDNALL. Mr. Speaker, I would just like to say for the RECORD that at the time of the conference, when the amendment of the gentleman from New Jersey was being considered, some of us were outside the conference room at the time. I would like to emphasize, however, that in our absence the gentlewoman from Missouri [Mrs. SULLIVAN] fought very hard for the section that you are keenly interested in, and it was not because of any fault, really, on the part of the House conferees that that provision was not included.

Mr. CAHILL. I thank the gentleman. I understand that that is the fact. I would personally like to pay my personal respects and tribute to the gentlewoman from Missouri for her leadership. I know from talking with her that she, too, favored the position as I had submitted it and as it was accepted by the House.

Mrs. SULLIVAN. Mr. Speaker, will the gentleman yield?

Mr. CAHILL. I am happy to yield to the gentlewoman from Missouri.

Mrs. SULLIVAN. I thoroughly agreed, from the very beginning when you offered your amendment in the House, that that provision was needed and was highly desirable. We were familiar with the events which occurred in New Jersey and elsewhere which made this provision so important. In conference, we tried our best to keep it unchanged and when we were unable to do that we insisted it be as strong as we could make it. The Senate even asked to require the buyer to notify the seller by registered letter before he could get it out of such a contract. We refused. We threw that out. I think we

have succeeded in keeping a strong, workable provision in here.

Mr. CAHILL. My only question is why the Senate conferees did not recognize the need and the merit of this particular amendment as it was written.

Mrs. SULLIVAN. May I say to the gentleman that if he had sat with us in those tough conferences as the nine of us did and saw the 6-week-long opposition of the Senate conferees to almost everything in the House bill, I think you would refrain from asking that question, because we had to fight every inch of the way to save what we did. Why did the Senate conferees insist on changes and modifications in other excellent provisions of the House bill?

Mr. CAHILL. I thank the gentleman.

Mr. WIDNALL. Mr. Speaker, I yield 5 minutes to the gentleman from Virginia [Mr. POFF].

Mr. Speaker, will the gentleman yield to me?

Mr. POFF. I am happy to yield to the distinguished gentleman from New Jersey.

Mr. WIDNALL. I just take this time to pay a well-deserved compliment to the gentlewoman from Missouri, who did such a tremendous job in connection with this entire, overall program, and worked so hard with the other conferees on the part of the House in order to get through the bill which we did, which is certainly a much stronger bill than the one which passed the Senate.

Mr. POFF. Mr. Speaker, first, by way of preface, let me join in the tribute just paid to the distinguished gentlewoman from Missouri and say more definitively that I agree with her that the modification made by the conference committee of the amendment which I offered is an improvement upon the amendment I offered. It strengthens it admirably, and in that spirit I endorse it.

Mr. Speaker, my purpose here is to write a little legislative history, if it is possible to do so.

Mr. MARSH. Mr. Speaker, will the gentleman yield?

Mr. POFF. I yield to the gentleman from Virginia [Mr. MARSH].

(Mr. MARSH asked and was given permission to revise and extend his remarks.)

Mr. MARSH. Mr. Speaker, in our consideration of the truth-in-lending bill, I think it is most significant to note that there is included in the conference report the amendment which the House adopted and is popularly referred to as the loan-shark amendment.

It is my feeling that this is a significant part of this legislation which will have remedial effects of a long-range nature that will do much to protect the borrowing public.

Special tribute is due Representative RICHARD POFF, the Congressman from the Sixth Congressional District of Virginia for his continued efforts on behalf of this proposal and for his leadership in adding it as an amendment to the original truth-in-lending bill when it was considered in the House. I think the citizens of our Commonwealth join with me in this legislative tribute to our colleague,

architect of this amendment, for his careful draftsmanship and parliamentary efforts which contributed to the passing of this landmark provision.

Mr. POFF. Mr. Speaker, my colleague is most generous indeed, and although his tribute may not be altogether deserved, I assure the gentleman it is altogether appreciated.

Mr. Speaker, the truth-in-lending bill contains no provision which is more important or protects the consumer better than the loan-shark amendment.

The amendment adopted by the House has been modified by the conference committee. I regard the modification as an improvement.

Heretofore, the only statutory foundation for Federal involvement in loan-shark control has been the antiracketeering statutes. These statutes have been so narrowly drawn as to make investigation and prosecution extremely difficult if not altogether impossible. The new statute created in this bill represents a major breakthrough in the war against organized crime. It attacks not only the loan shark himself, who typically is a minor member of the Cosa Nostra family structure. It strikes also at the Cosa Nostra superstructure. The boss and the underboss are not loan sharks. They are financiers. They make available to the loan shark the funds necessary to finance the illegal operation.

In its definition of the new Federal crime, the amendment includes not only the making and collecting of extortionate extensions of credit, but the financing thereof.

In yet another way the new statute strikes at the higher echelons of the criminal syndicate. Frequently, the best prosecution witness is a minor member of the Cosa Nostra family who himself is involved, either as a principal, an accomplice or a conspirator, in the very crime for which the boss is indicted or in some related crime. When called to testify, in allegiance to the strict code of the Cosa Nostra, he pleads the fifth amendment against self-incrimination, not so much because he fears he will incriminate himself but because his Cosa Nostra oath compels him to protect the family boss. Under the witness immunity clause of the loan-shark amendment, the court can take appropriate safeguards, require the witness to testify or surrender documentary evidence under a guarantee that nothing he confesses in his testimony can later be used in a prosecution against him. If not withstanding that guarantee, he refuses to testify, he may be prosecuted for contempt of court. If he agrees to testify but testifies falsely, he can be prosecuted for perjury.

This witness immunity clause will do much to unravel the blanket of immunity with which the Nation's top racketeers cloak themselves today.

While the annals of crime are replete with the story of the vicious venality of the loan shark and the human misery he causes, several cases disclosed by the recent hearings of the Senate Select Committee on Small Business serve to illustrate the enormity of the crime which present Federal statutes fail properly to reach. A witness testifying under

a hood reported that loan sharks had required him to pay \$14,000 in interest on a \$1,900 loan. Only last week in the State of New York, the grand jury returned seven counts of criminal usury against one Bonfondeo. These included a case in which the victim paid \$100,000 in interest on a \$30,000 loan; another case in which the victim paid 104 percent interest on a \$5,000 loan; another case in which the victim paid 260 percent in interest on a \$3,000 loan; another case in which \$5,000 in interest was paid on a \$5,000 loan without curtailing any of the principal. The head of the Organized Crime and Racketeering Section of the Department of Justice, Mr. Henry Peterson, told the Senate committee that the Justice Department has identified at least 120 members of the Cosa Nostra who are involved in loan-shark racketeering in the metropolitan area of New York City alone.

It is important to know what the loan-shark amendment does. It is no less important to know what it does not do. It does not preempt the State laws. It does not jeopardize any legitimate, licensed, regulated lending institution. It does not constitute a Federal criminal usury statute. On this last point, there seems to be some public confusion. Undoubtedly, this arises from mention in the amendment of a 45-percent interest rate. Let me explain the function of the interest rate factor.

The statute punishes extortionate extensions of credit. An extortionate extension of credit is defined as a loan which involves the use or threat of use of violence or other criminal means to harm the person, property or reputation of any person. Parenthetically, the phrase "any person" is intended to include members of the borrower's family who are the natural subjects of intimidation by the loan shark.

When direct evidence of violence or other criminal means is readily available, such evidence is all that is required to prove the crime. When it is not available, extortion will be presumed if the prosecution is able to prove all of the four following factors:

First, that the loan was in excess of \$100;

Second, that the interest rate was in excess of 45 percent per annum;

Third, that the loan violates State law to the extent that the lender is unable to obtain a complete collection judgment under State laws against the borrower; and

Fourth, that the lender has reputation for extortion in the community of which the borrower is a member.

Thus, it will be seen that the loan-shark amendment does not fix a Federal criminal usury interest figure. The 45 percent figure is only one of four factors which, if all are proved, create a prima facie case of extortion. The interest rate may be less than 45 percent and the loan may still constitute an extortionate extension of credit if it can be proved that violence or other criminal means were used in making, collecting or financing of the loan.

I believe it is important to explain something of the constitutional foundation for this amendment. It is twofold. It

consists in one part of the interstate commerce clause and in the other part of the bankruptcy clause. The purpose of the bankruptcy clause is primarily humanitarian; namely, to give an insolvent debtor a fresh start by dividing his assets, remaining after essential family exemptions, among his creditors and discharging his liabilities to them. If a particular loan involves extortion and violates other criminal laws, it is not susceptible of being discharged. Indeed, its very existence probably will never come to light in the bankruptcy proceedings because the victim is in fear of his very life or the bodily safety of himself and his family. It is anomalous that all of the lawful obligations of the debtor can be discharged at the expense of honest creditors while an unlawful obligation survives the bankruptcy proceedings and remains alive for the benefit of the dishonest creditor. In summary, the loan-shark operation frustrates and defeats the function and purpose of the bankruptcy law with respect to which the Constitution gives the Congress exclusive jurisdiction.

Mr. Speaker, I want to pause to pay tribute to a number of my distinguished colleagues, including specifically the gentleman from Pennsylvania [Mr. McDADE], who have made notable contributions to the perfecting of the final version of the loan-shark amendment. All those on both sides of the political aisle in both Houses of Congress who participated and all those on the staff of the committee and in the Department of Justice who cooperated can take genuine pride in the product that has been fashioned.

Mr. WIDNALL. Mr. Speaker, I yield the remainder of my time to the gentleman from Pennsylvania [Mr. McDADE].

(Mr. McDADE asked and was given permission to revise and extend his remarks.)

Mr. McDADE. Mr. Speaker, it is a singular pleasure for me to support the conference report on the truth-in-lending bill and in particular to support that section which concerns itself with the vicious racket of loan sharking.

Some 2 years ago a group of my colleagues here in the House joined me in a profound study of organized crime, its ramifications and its implications. I wish to pay tribute to those colleagues today. They are Congressmen CHARLES MCC. MATHIAS, JR., CHARLES A. MOSHER, HOWARD W. ROBISON, ROBERT TAFT, JR., MARK ANDREWS, ALPHONZO BELL, WILLIAM T. CAHILL, JOHN R. DELLENBACK, MARVIN L. ESCH, PAUL FINDLEY, PETER H. B. FRELINGHUYSEN, JAMES HARVEY, FRANK HORTON, F. BRADFORD MORSE, OGDEN R. REID, HERMAN T. SCHNEEBELI, RICHARD S. SCHWEIKER, FRED SCHWENGEL, GARNER E. SHRIVER, ROBERT T. STAFFORD, J. WILLIAM STANTON, and CHARLES W. WHALEN, JR.

Out of this study came a significant paper entitled "Study of Organized Crime and the Urban Poor." It may be found in the CONGRESSIONAL RECORD of August 29, 1967.

Loan sharking was selected in that paper for special emphasis as one of the most vicious rackets of organized crime. I pointed out then that the victim of loan

sharking is the poor person desperately in need of money, without credit at a local bank, who borrows from the loan shark at exorbitant interest rates, sometimes as high as 20 percent per week. I pointed out that the small, marginal, local businessman in the concentrated area of the urban poor is another major victim of organized crime. I pointed out, finally, the ironic contrast whereby the Small Business Administration would lend \$50 million in fiscal 1967 under the antipoverty program of the Economic Opportunity Act of 1964, while loan sharks would extract \$350 million from the pockets of the poor during that same period.

Out of this study came an anti-loan-sharking bill which I wrote and which I put before the Congress when the truth-in-lending bill came to the floor. I am delighted that my bill with modifications by the gentleman from Virginia and by other members on the conference committee has been accepted as the final version of this section of this bill. I am particularly delighted to see that the section of my bill granting immunity for the purpose of securing vital testimony before a grand jury has been accepted by the conference committee practically verbatim. This immunity statute I think to be vitally important, and I am delighted that I am joined in this feeling by the members of the President's Task Force on Crime who recommended such an immunity statute.

I look forward to the final passage of this bill by the Senate and to its being signed into law by the President. More than that, I look forward to a new and significant effort against organized crime by our Department of Justice.

Today slightly over one one-hundredth of 1 percent of the Federal budget is devoted to combating organized crime. In the Department of Justice 2½ percent of its budget is spent in the fight on organized crime. Clearly, this is not enough.

With the passage of this bill I look forward to a new and broader and more thorough effort against organized crime by the Department of Justice. We have indeed turned a milestone today and I am proud to have played a part in what we are doing here in the Congress.

A final word for purposes of legislative history.

I want to make it clear that the term "other criminal means" as used in this statute is intended by its authors to have a liberal construction in order that we can take care of the situations which involve forcing other people to do criminal activity under threat of collection of debt. The use of force, express or implied, is not the sole test of an extortionate extension of credit. This is an important part of the statute.

Mr. Speaker, I urge the adoption of this conference report.

The SPEAKER pro tempore. The time of the gentleman from Pennsylvania has expired.

Mr. PATMAN. Mr. Speaker, I yield 2 minutes to the gentleman from New York [Mr. HALPERN].

Mr. HALPERN. Mr. Speaker, I want to heartily congratulate the gentlewoman from Missouri for her outstanding work

in developing this legislation and for her leadership in bridging the gaps between the Senate and House bills.

As a long-time advocate of truth-in-lending legislation and as a House sponsor of the original Douglas bill, I am particularly pleased with the bill as it now comes before us.

And, as a minority member of the Consumer Affairs Subcommittee I want to say how privileged I was to work with the able chairlady and to join her in the sponsorship of H.R. 11601.

Mr. Speaker, I am pleased that the garnishment provision was retained although modified in form from the House version. I am pleased with the results of the conference agreement. I heartily congratulate the conferees and particularly I wish to compliment the chairwoman of the subcommittee for her outstanding leadership in the achievement of this legislation.

Truth in lending has faced a long and arduous struggle. This bill, as it emerged from conference, is not as strong or as tight as I and many of my colleagues would have liked. After all, this is legislation aimed at guarding the innocent consumer from a great many abuses, and giving him the information he needs to make intelligent choices about credit. I think he deserves all the help he can get.

Nevertheless, considering the fact that it took all these years to push a truth-in-lending bill through both Houses, I consider this bill to be a remarkable achievement and a real legislative milestone, of which Congress can be justly proud.

I was deeply gratified that our conferees were able to retain the substance of all the major provisions of the House version. For this they are entitled to our profound thanks. The conference bill not only requires credit cost disclosure in terms of annual rates for individual transactions, but—as well—it upholds the House position by including provisions dealing with credit advertising, loansharking, administrative regulation by the Federal Trade Commission and other agencies, and—as I have said—on garnishment.

Fortunately, revolving credit and small transactions are still included in the bill, although there are certain exemptions which the Senate insisted on that I think were unwise.

Most important is the exemption from rate disclosure on transaction in which the credit charge is less than \$5 if the amount loaned is less than \$75, and on credit charges up to \$7.50 if the loaned amount exceeds \$75. This is a bit better than the \$10 exemption proposed by the Senate, but I say now, as I did when this proposal was broached in the House, that this exemption takes a bite out of this bill right where some solid muscle is most needed.

If a person is going to be charged \$4.95 in interest on a \$35 radio, I fail to see why he should not be told in plain language how much interest he is paying.

There is also an exemption of up to a 50-cent fixed monthly charge on open accounts which I am not terribly happy with, and which may set off a rash of

stores imposing fixed charges on credit accounts to get around disclosing part of their interest rates.

Notwithstanding these criticisms, I am still mindful of the fact that this bill is a momentous step forward toward protecting the American consumer from confusing and sometimes deliberately complex credit practices. When viewed in perspective all the benefits that this legislation would bring, I am willing to live with these shortcomings, at least for the present.

I had feared that the garnishment provision in the bill might be weakened, but my fears fortunately were unfounded. The agreement reached by the conferees actually strengthens my amendment. As passed by the House, the bill provided that garnishment could not exceed 10 percent of gross earnings over \$30 a week. The bill approved in conference does not permit garnishment of more than 25 percent of disposable income, or of more than the amount by which weekly disposable income exceeds 30 times the Federal minimum hourly wage, whichever is less. In other words, the effect is to restrict garnishment to make sure that after a worker pays all deductions required by law, tax, and social security, a garnishment cannot leave him less than \$48 to live on.

The original truth-in-lending bill prohibited garnishment entirely, but it seemed to me that this unnecessarily curtailed the proper rights of creditors. This provision protects both.

This section also retains my proposal to prevent an employer from discharging a worker for the first garnishment of his wages, thereby ending a vicious cycle whereby a man not only loses his salary to pay his debts, but loses his job as well, and thereafter can't get himself out of debt to end the garnishment.

In conclusion, I want to say that this bill is something many of us have awaited for a long time and I trust the conference report will have the overwhelming approval of this House.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. HALPERN. I am delighted to yield to the minority leader.

(Mr. GERALD R. FORD asked and was given permission to revise and extend his remarks.)

Mr. GERALD R. FORD. Mr. Speaker, recently the American consumer has enjoyed many fine hours here in the Congress and more particularly here in the House of Representatives. I feel confident, however, that today marks the consumer's finest hour.

I am proud of the role that the minority played throughout the committee hearings, the floor debate and the long, arduous House-Senate conference sessions. But it is not my purpose today to extol the virtues of the minority's contributions to the truth-in-lending bill, for throughout the years of debate on this legislation, partisan divisions have rarely, if ever, occurred.

Although much of the controversy and most of the headlines have centered around the conflict of periodic versus annual disclosure on open-end credit, in my opinion, the contributions of House

Members of both parties in adding many entirely new features to the Senate-passed bill far outweigh the importance of the final compromise on revolving credit. The House added and was able to retain in conference strong, effective and equitable language on administrative enforcement, credit advertising, loan-sharking, first mortgages, garnishment, as well as provisions dealing with abuses primarily related to extensions of credit for home improvements.

During the House floor debate on the truth-in-lending bill, the nonrecord votes on revolving credit and the so-called \$10 exemption were overwhelming in support of the position taken by a majority of the Committee on Banking and Currency. I have been advised that the House conferees were united throughout the conference sessions with the Senate on these two points, and I was delighted that the House conferees were equally united in support of retaining several amendments offered by Republicans when the bill was debated here on the floor of the House.

Mr. Speaker, I became personally involved with the Republican loan-shark amendment and I want to commend the chairman of the House Committee on Banking and Currency, Mr. PATMAN, the Congresswoman from Missouri, Mrs. SULLIVAN, and the ranking minority member, Mr. WIDNALL, for their success in coming back to the House with a very effective title dealing with extortionate extensions of credit. In this connection, the contributions of the House Republican Task Force on Crime, as well as Congressmen PORR and McDADE, cannot be exaggerated.

Recent testimony has indicated that loan-sharking is the second most important source of revenue to organized crime. Annual revenue to organized crime has been estimated to be at least \$20 billion. By amending title 18 of the United States Code so as to define and make a Federal offense the extortionate extension and financing of credit, finally we are recognizing both the seriousness and the vast extent of this criminal activity. Moreover, the language providing immunity to witnesses will send tremors through the high councils of organized crime when their highly paid legal counsels advise them of the direction taken by Congress.

Mr. Speaker, I consider the conference report on the Consumer Credit Protection Act one of the most important achievements of the 90th Congress. The vast protection it affords all citizens—especially low-income families and individuals—should provide ample evidence that the Congress has and will continue to act on its own initiative in matters involving human equity.

Mr. PATMAN. Mr. Speaker, may I inquire if the minority are finished with their time?

The SPEAKER pro tempore. All time has expired on the minority side. The gentleman from Texas has 6 minutes remaining.

Mr. PATMAN. Briefly, Mr. Speaker, I believe that the House is as near unanimous on this conference report as it is possible for the House of Representatives

to be. It will be recalled that the vote on the final passage of this bill, I believe, was 382 for to 4 against. That is as good a majority, I believe, as the House of Representatives gives on any legislation. I do not know of any Member who voted for the bill when it passed this House who is now opposed to this conference report. If there is one within the sound of my voice, I wish he would make his presence known. I do not believe there is. We can consider that this conference report really is passing unanimously. Nobody is against it and they should not be against it. It is a good bill. As the gentlewoman from Missouri has said, it is a bipartisan bill. We all worked together on it. Significant parts of this bill is represented by amendments from the minority, and they are good amendments. I believe that this expression of the House here today on the passage of this conference report represents the unanimous action of the House of Representatives. I think it should be considered that way when it goes back to the Senate for their approval.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield to the distinguished minority leader.

Mr. GERALD R. FORD. Is it my understanding and is it the correct understanding that this debate in the RECORD will precede the vote taken some time ago?

Mr. PATMAN. Yes, sir. That is the understanding. I have checked it with the Parliamentarian, and I am told that is true.

The SPEAKER pro tempore. The time requested by the gentleman from Oklahoma has expired.

Mr. MONTGOMERY. Mr. Speaker, I talked to the chairman of the distinguished Committee on Banking and Currency with reference to one particular item about which I desired some clarification.

Mr. PATMAN. Mr. Speaker, will the gentleman yield?

Mr. MONTGOMERY. I yield to the gentleman from Texas.

Mr. PATMAN. I did not know that the conference report was going to be so quickly agreed to. However, I had previously agreed to yield to the gentleman from Mississippi for the purpose of his asking questions with reference to a garnishment matter.

Mr. MONTGOMERY. Mr. Speaker, I would like to ask the gentleman a question. What is the difference in the garnishment situation that was in the original bill, and is now in the conference report? I believe the Congress is entitled to know.

I am sorry that the parliamentary procedure moved so swiftly here, and I was unable to ask the question prior to the adoption of the conference report.

Mr. PATMAN. I will defer to the gentlewoman from Missouri to answer the gentleman's question.

Mrs. SULLIVAN. Mr. Speaker, if the gentleman will yield, in reply to the inquiry of the gentleman from Mississippi, let me say first that I am prepared to put into the RECORD all of the differences and explain as clearly and concisely as

possible the provisions, and this will be put into the RECORD.

But as far as the garnishment title is concerned, we adopted a garnishment provisions that is much weaker than we had in the House bill. What we actually adopted, in effect, was the law of the State of Alabama and of the State of Mississippi, too, on garnishments, except that we do have a floor of \$48. In other words, the first \$48 of the weekly salary, after taxes or other deductions required by law, cannot be garnisheed.

Mr. MONTGOMERY. Are the Federal Government and the States exempted from the garnishment section in the conference report insofar as coming under this section of \$48? As the gentlewoman knows, the Federal Government is the largest establishment that undertakes garnishment proceedings now. I ask the gentlewoman from Missouri, will they come under this conference report or not?

Mrs. SULLIVAN. In answer to the gentleman, I will say no, the Federal and State Governments are not covered by the restriction on garnishment. We exempted them in the House bill, too.

One cannot garnishee the Federal Government or the State governments.

Mr. MONTGOMERY. But the Federal Government can garnishee people who have a tax debt that they owe to the Federal Government, or to the States?

Mrs. SULLIVAN. Yes, the Federal Government retains the right to garnishee for taxes, and so do the States. Whether the States exercise that right is up to them. That is up to the States.

Mr. MONTGOMERY. That is up to the States?

But my point is, I will say to the gentlewoman from Missouri [Mrs. SULLIVAN], that the conference report has exempted the States and the Federal Governments, which are the largest users of garnishment, yet private individuals will have to come under the Federal law.

The conference report has already been adopted as of now, but I certainly feel as though this is another encroachment on States' rights. The individual States in the last few years have kept up on their garnishment laws. Our State of Mississippi only 2 years ago upgraded the garnishment section of our laws. Now, this supercedes the State laws, is that correct.

Mrs. SULLIVAN. Yes, but only to the extent that it is inconsistent with the Federal law. And it does not take effect for 2 years. At that time, the Secretary of Labor can exempt from the restrictions of section 303(a) any State which has a substantially similar law on the amount which can be garnisheed. May I say to the gentleman that in the bill as originally introduced last July, there was no exemption for the Federal or State Governments in collecting debts due for taxes, but this was taken out in the committee before the bill was reported to the House last December.

Mr. MONTGOMERY. Oh, it is taken out?

Mrs. SULLIVAN. Yes. The Federal Government and the State governments are not affected in this garnishment procedure at all as to garnishing the wages for taxes.

Mr. MONTGOMERY. I am sorry, but I do not believe the gentlewoman understands my question. What the gentlewoman is telling me now is that the Federal Government can only garnishee up to \$25 of the first \$100 out of a salary. So that what the gentlewoman is telling me is that if a person owes the Federal Government, say, \$300 in taxes, the Government can take only \$25 out of a man's salary of \$100 per week until it has been repaid?

Mrs. SULLIVAN. No. This does not touch the garnishment of wages by the Federal Government for any taxes, or by the State governments either.

Mr. MONTGOMERY. In other words, the Federal Government is not to come under this bill, yet we are putting private enterprise under it, but the largest garnishment group is not even under the bill, that is my point.

Mrs. SULLIVAN. That is correct. We had no exemption for the Federal Government in the House bill originally but we changed that in committee last December.

Mr. MONTGOMERY. Mr. Speaker, the garnishment title should not even be in this truth-in-lending bill. The garnishment section supercedes all State laws on garnishment and is just another step by the Federal Government to further take over States' rights. I yield back the balance of my time.

Mr. BARRETT. Mr. Speaker, as one of the House conferees on the Consumer Credit Protection Act, I am indeed proud to support this legislation and to urge its overwhelming passage by the House in the form in which it has been reported from the conference committee. I have always favored the enactment of truth-in-lending legislation such as recommended for so many years by former Senator PAUL H. DOUGLAS, of Illinois; the remarkable thing is that after years of failure to get the Douglas bill through the Senate, we are now about to pass a bill which goes far beyond the old Douglas bill.

S. 5, as amended by the House and agreed to in conference, incorporates all of the provisions in the old Douglas truth-in-lending bill and adds many things to it to make it far more effective than the Douglas bill would have been in protecting the consumer.

This is certainly not meant to disparage Senator Douglas or his valiant efforts on behalf of this legislation. We are all grateful to him for his leadership and his imagination in launching the campaign for truth in lending and wagging it so well during the last 6 years of his Senate service. The fact that we are passing a much broader and more comprehensive bill than the Douglas bill is a tribute to the remarkable perseverance and effective legislative skill of the gentlewoman from Missouri [Mrs. SULLIVAN], chairman of the Subcommittee on Consumer Affairs of the House Committee on Banking and Currency, who is ranking member also of my Subcommittee on Housing and an invaluable ally of mine on progressive housing legislation.

All of us on the Committee of Banking and Currency were impressed by her handling in the subcommittee and the full committee of this bill which was so

controversial at the time she introduced it, but which passed the House on February 1 by an overwhelming vote of 382 to 4. I am proud to have been a cosponsor of the Consumer Credit Protection Act and I am also proud of the fact that when some were counseling Mrs. SULLIVAN to give up her great fight for a strong bill last November and accept the Senate bill instead, I urged her to continue the battle for the kind of legislation we are now about to pass. She knew that she had my full support for this legislation despite the heavy odds against her—first when her subcommittee divided 6 to 6 on the bill and then later when a majority of the members of the full committee voted to add loophole amendments over her strong and vigorous objections. The House voted overwhelmingly early this year to reject those committee amendments and Mrs. SULLIVAN was vindicated.

After a long series of conferences with the Senate on this bill, House conferees stood fast for a strong bill and generally we achieved our purposes.

No piece of legislation is perfect and meets every test of effectiveness. Undoubtedly this bill will have to be strengthened and improved in various ways after it becomes effective and we have developed some experience under it. But we know that we have a good bill and one which will give the little income consumer in this country a fair break in the use of credit and eliminate practices which have too long been allowed to victimize the poor.

As a Representative in the Congress of the United States of the great city of Philadelphia in the Commonwealth of Pennsylvania, I am particularly pleased that the conference bill on which we are now acting follows the lead of the Commonwealth of Pennsylvania in trying to do something about the harsh practices of garnishment. In Pennsylvania we prohibit garnishment entirely. The Consumer Credit Protection Act as originally introduced, and which I cosponsored, would have eliminated garnishment entirely throughout the country. The bill we reported from committee was not that strong, limiting garnishment only to 10 percent of the worker's pay over \$30 a week. The bill we are now voting on is less effective in combating garnishment abuses but will nevertheless provide far more protection for the low-income workers in most States than is now available to them under State law. So this is a great forward step.

In my opinion, the Consumer Credit Protection Act, is one of the most important consumer laws the Members of Congress of the United States have ever had an opportunity to vote for. It establishes a new set of standards for consumer protection in a field which the Federal Government has not previously been involved. We are taking nothing from the States in this respect; instead, through this legislation, we are encouraging the States to raise their own standards of consumer credit protection, and if they do not do so, then we will make sure that the American people living in those States will nevertheless be protected against further deliberate mis-

representations of the cost of using credit.

In future years, all of us can take deep satisfaction for having voted for the first Federal truth-in-lending law, for the first Federal garnishment law, for the first Federal truth-in-credit advertising law, for the first Federal extortionate credit law, and for the creation of the National Commission on Consumer Finance. All of these great pioneering Federal achievements in consumer credit protection are included in the bill now before us. I urge my colleagues in the House to vote "aye" on this historic legislation. The Sullivan Consumer Protection Act is a great monument to an outstanding and gracious Congresswoman just as title I of this legislation, the truth-in-lending title, is a legislative monument to former Senator Paul H. Douglas.

While it is Mrs. SULLIVAN's bill, I am sure she agrees with me that its enactment would have been impossible without the legislative skills of the chairman of the Committee on Banking and Currency, the Honorable WRIGHT PATMAN, of Texas, who has proved once again that the bigger the odds against him and against the average citizen in legislative battle, the harder he fights and in this instance, as in so many others, he has fought to win for the public interest. He has been doing that all of his long career in the Congress of the United States.

Mrs. DWYER. Mr. Speaker, the conference report on the bill, S. 5, better known as the truth-in-lending bill, represents a notable achievement. It is far broader, more comprehensive, and potentially more effective than almost any of us believed was possible when action on this legislation began last year.

Many of our colleagues deserve great credit for this accomplishment, and I would mention in particular the chairman of the Subcommittee on Consumer Affairs, the distinguished gentleman from Missouri [Mrs. SULLIVAN].

In almost every major respect, Mr. Speaker, the conferees substantially upheld the stronger provisions of the House-passed bill. In the one area which could be considered an exception, open end or revolving credit disclosure requirements, the compromise reached by the conferees represents in my judgment a net improvement over both the House and Senate versions.

The Senate bill generally exempted revolving credit from annual rate disclosure requirements and the House bill established a much too rigid requirement which, in effect, would have forced all revolving credit merchants to state a single arbitrary annual rate despite differences in the actual cost of the credit. The conference report resolves this dilemma by permitting merchants to use an optional means of disclosing revolving credit charges, that is to disclose the average effective rate of return on an annual basis. This compromise should do two important things: First, remove the strong temptation to raise all revolving credit charges to a level which would provide an effective return of 18 percent; and, second, encourage the continuation of competition in the area of interest charges.

Every consumer in America, Mr. Speaker, should benefit from this bill. It will enable consumers to shop more intelligently for credit, to protect themselves from credit abuses, to resist more effectively such brutal rackets as loan-sharking and second-mortgage abuses, to temper the unnecessarily punitive effects of unrestricted garnishment of wages, and in general to deal more knowledgeably in the increasingly complex marketplace.

This bill is not perfect, Mr. Speaker. It brakes so much new ground that we must monitor developments very closely to determine that we are making real progress. Much, therefore, depends on the regulations and enforcement procedures adopted by those agencies responsible for administration of the legislation, especially the Federal Reserve Board and the Federal Trade Commission. Consequently, I would hope that our committee will act accordingly and devise a means of systematically reviewing the administration of the new law. We have made a good start, I believe, but we must remember that it is only a beginning.

Mr. ANNUNZIO. Mr. Speaker, I rise today to applaud the members of the conference committee that have brought to this body the conferees substitute for S. 5, the truth-in-lending bill.

I particularly salute the efforts of the distinguished chairman of the House Banking and Currency Committee, the gentleman from Texas [Mr. PATMAN], who performed such an outstanding job of guiding the House conferees through the legislative tangles of the legislation. Chairman PATMAN deserves the praise of every Member of this body and from all consumers for making certain that a strong, workable and effective piece of legislation was reported from the conference committee. And, I am happy to note that because of Chairman PATMAN's guidance, most of the House provisions of the legislation were adopted by the conferees. When the truth-in-lending bill was introduced in the House in July of 1967, I was happy and proud to join with my colleagues on the Consumer Affairs Subcommittee, Representatives SULLIVAN, GONZALEZ, MINISH, BINGHAM, and HALPERN as a coauthor of the legislation and I vividly recall the 6 weeks that the subcommittee spent in putting together a strong bill. It is obvious that the conferees did not forsake our efforts.

I am particularly pleased that the conferees maintained the House provision calling for garnishment controls. As a former Director of Labor for the State of Illinois on the cabinet of Gov. Adlai Stevenson, I well recall the affects that garnishments have not only on employee but on employers. For too long, garnishments have been used as a sword to collect payments for shoddy merchandise, or usurious interest charges.

Mr. Speaker, the truth-in-lending bill being discussed here today is a bill that the honest and reputable merchant can live with and benefit from. It will, however, serve as a deterrent to loan sharks, sharp practice operators and others who would cheat the consumer.

In closing Mr. Speaker, let me say that the truth-in-lending bill is the begin-

ning—not the ending. It is not enough to say we have completed our task in this area and then completely overlook the consumer's plight in the coming years. There are still hundreds of areas that need to be explored and perhaps regulated. We need a review of the operations and the laws that govern the Federal Trade Commission with an eye toward putting more teeth in that Agency's operation. We need to make our judicial system more aware that the age old philosophy of "let the buyer beware" has no place in the 20th century. President Johnson, in his consumer message, rejected the philosophy of "Let the buyer beware" and instead said, "Let the seller make full disclosure."

The 90th Congress has been labeled by some as the consumer's Congress. I think this is a label that we can wear proudly but I hope that future Congresses will strive to also gain that label. Mr. Speaker, I urge the unanimous adoption of the conference report on S. 5.

Mr. MINISH. Mr. Speaker, this is indeed a great moment for those of us who serve on the Subcommittee on Consumer Affairs of the House Committee on Banking and Currency and who had a part in shaping this great piece of legislation. I am proud to have been one of the original cosponsors with the gentlewoman from Missouri [Mrs. SULLIVAN] of H.R. 11601—the most comprehensive consumer credit bill ever introduced in the Congress.

More important than the form in which it was introduced is the form in which we are now about to pass this legislation and send it to the White House. There are provisions in this bill in its final form which no one ever gave us any hope of getting through the Congress. One of those provisions deals with garnishment.

During our hearings on this legislation last August, under the chairmanship of the lady from Missouri, we established a clear case for the abolishment of garnishment. Perhaps someday we will be able to outlaw this form of debtor's prison.

But for the time being, in passing this bill today, we will be striking a blow for the freedom of the oppressed poor people in this country who are victimized by credit outfits not interested in whether the customer can pay for the goods but only interested in how they can force the customer to pay even if it means making his family go without food.

I remember an advertisement a long time ago for a home instruction course in playing the piano. The catch line in that ad was "They laughed when I sat down at the piano." And then the ad went on to explain that after he played the piano they were just amazed at how well he could perform. Well, Mr. Speaker, they laughed when we introduced H.R. 11601 on July 20—a lot of people laughed at a lot of things that were in that bill. But now we are writing them into the law of the United States and I am proud to have a part in that accomplishment.

This legislation will enable the consumer to know what he is paying for credit. It does not regulate credit. It just makes the firms in the credit industry

let the customer know what any transaction is going to cost him in terms of dollars and cents and also in terms of the equivalent interest rate.

Again I want to say that as a member of the Subcommittee on Consumer Affairs and one of the cosponsors of this legislation, I urge the House to accept this conference report. It is the strongest piece of consumer legislation to be passed by Congress in many years.

Mr. SMITH of New York. Mr. Speaker, another provision of this bill is the witness immunity section. From the very beginning Federal law enforcement has been handicapped in its prosecution of racketeers by the Cosa Nostra "Omerta" or code of silence.

Regardless of whether an individual is directly implicated in criminal activities, he may be afraid to testify against racketeers. The witness immunity provision deals directly with this problem. Now, by offering a potential witness immunity from prosecution he will no longer have a valid claim of the fifth amendment and will have to testify. I think, as a result of this, we are going to see quite a few more organized crime prosecutions in the years to come.

Mr. KING of New York. Mr. Speaker, according to a newspaper article not too long ago, which was based on an interview with New York County Assistant District Attorney Michael Metzger, "crime in the street—Wall Street—may prove to be organized crime's most sophisticated effort yet in infiltrating big business."

In less sophisticated times, the loan shark's only goal was the "vigorish," the trade name for interest on the loan. Typically, this was "6 for 5," or a \$6 payment for a week's loan of \$5. Today, the goal is different; the stakes are higher. The modern Wall Street loan shark loans money in order to exploit the services of the borrower who finds that he cannot repay principal and interest timely.

The technique is simple and effective. The Cosa Nostra acts as a "fence" for stolen securities acquired at bargain prices from petty thieves who stole them from private homes, from messengers on the street or from brokerage houses. The loan shark approaches a Wall Street clerk who needs "fast money" to invest in a "hot tip" he has picked up in the performance of his duties. The tip goes sour. He is unable to pay the interest. Graciously, the loan shark grants a grace period. The price of his generosity is the clerk's agreement to arrange a sale of the stolen securities. The loan shark pockets the profit. The clerk is still in default on his loan.

The added sophistication of this increasingly lucrative illegal activity makes the need for passage of the truth-in-lending bill and the loan-shark amendment contained therein, even more obvious.

Mr. ERLBORN. I would also like to say something about the syndicate infiltration of legitimate business. Unquestionably, loan sharking is a source of money—yes, but it is also a source of power—unlimited power over individuals and unlimited power over businesses—and therein lies the greater evil and the greater danger.

It is no secret that organized crime has made a wholesale invasion of the private business community. And when the racketeers move in they bring all their corrupt methods with them. A business run by a racketeer will cheat the customer and rob the supplier just as surely as the racketeer himself will.

No one knows for sure just how many racketeer owned and controlled businesses became such only after the original owner became indebted to a loan shark and was ultimately squeezed out by him and his associates. There is every indication, however, that the number is substantial.

It is my opinion that one sure way to stop that number from increasing, and to eventually control this practice is through the passage of the truth-in-lending bill before us today.

Mr. WYLIE. Mr. Speaker, the insidious nature of organized crime, while present with us for many years is being recognized with increasing concern by all citizens as well as law enforcement authorities throughout the country. One of the most alarming features of syndicate crime is the ease with which it has been infiltrating legitimate business establishments, even the Wall Street stock market.

One method used to accomplish this is the practice of making loans available at excessive rates to certain businessmen and then muscling into the business after having placed this foot in the door.

I believe that the provision in the truth-in-lending bill which strikes at such loan sharking will greatly reduce the opportunity of organized criminals to enter legitimate business in this way.

Mr. CRAMER. Mr. Speaker, if there were nothing else to commend the loan-shark amendment which I support, I would welcome it because of the witness immunity provision.

Witness immunity statutes are nothing new. There are in excess of 40 of them on the books in the Federal code but the problem is that most are directed at crimes which are not ordinarily the modus operandi of organized crime.

It is difficult to imagine San Giancana being legitimately investigated for violating a soybean allotment, for example, so the AAA immunity provisions are useless as to him. And so on.

Ever since 1958, we have been trying to get an immunity statute similar to the bills I have introduced since the date of more meaningful application in the organized crime area. Attorney General Rogers asked for one—so did KENNEDY and Katzenbach—even Ramsey Clark and no less than President Johnson have asked this Congress for more immunity powers.

I think, when we pass this truth-in-lending bill, we will have given it to them so far as it relates to this bill.

Because loan-sharking is part and parcel of organized crime—because it is organized crime—I cannot conceive of the racketeer or member of Cosa Nostra who cannot be legitimately investigated under this statute and against whom the witness immunity provisions cannot be used.

Mr. Speaker, today, I think, this Congress will have cracked the underworld code of "Omerta"—silence—and that is doing something.

Mr. MACGREGOR. Mr. Speaker, Mr. Henry Peterson, head of the Justice Department's Organized Crime Section, asked just a week ago for legislation against loan-sharking so that the Federal Government would "have additional weapons to use before greater inroads into the legitimate business community are made by Cosa Nostra and allied syndicates."

The loan-shark amendment to the truth-in-lending bill would open these additional avenues of prosecution. Loan-sharking simply cannot withstand the persistent efforts of effective law enforcement together with growing opposition from an indignant public. This amendment, which would make it a Federal crime for any unlicensed lender to violate any State law limiting the charges on consumer credit transactions, would allow the Federal machinery to enter the fight against the unscrupulous and shocking practices of loan sharks. I strongly urge the passage of this vital legislation so that the relentless fight against loan sharking will make it a crime that literally does not pay.

Mr. TAFT. Mr. Speaker, loan-sharking is an ugly crime. It preys upon the needs of not only the urban poor but businessmen from the ghettos of America through the high-rise buildings of Wall Street. In December 1967 the House Republican task force on crime reported that loan-sharking was organized crime's second largest source of revenue. The truth-in-lending conference report, which contains the loan shark amendment, marks a major step in the battle against crime. The amendment gives Federal law enforcement officers a major weapon. It is the first step of what the House Republican task force on crime hopes will be many.

Mr. DEVINE. Mr. Speaker, one of the significant features of the loan shark amendment is the fact that it expands Federal investigative jurisdiction into loan sharking activities.

Presumably the Federal Bureau of Investigation will be involved in most of the investigations under this new statute. Up until now, they have been able to investigate loan sharking only infrequently and under another statute, the Hobbs Act, which is, in fact, an extortion statute.

Doubtless the Federal Government will not be able to prosecute every violation the FBI investigates. However, in those instances they will be able to turn over the fruits of their investigations to state and local prosecutors who will be able to prosecute.

Mr. WYMAN. Mr. Speaker, I am today voting for the truth-in-lending conference report. It is a step that has been too long delayed. It is a bill that will go down in history as the first major effort on the part of the Congress to protect American consumers. At the same time it contains a proposal that would make loan sharking, the practice of lending money at exorbitant rates of interest, illegal. The amendment which was added in the House by Republican Congressmen, gives Federal law enforcement officers a major tool in combating organized crime in America. I would hope that other measures aimed at organized

crime's many other sources of revenue follow.

Mr. PIRNIE. Mr. Speaker, the House today has an opportunity to take a major step in combating organized crime. The truth-in-lending conference report contains the Republican-sponsored loan shark amendment which would arm Federal law enforcement officers with the power to step into what has been called organized crime's second largest moneymaker. The proposal could also be used as a model by State legislatures.

We are all aware of the multibillion-dollar organized crime network that has, until this time, operated almost unhindered in America. I hope this marks only the first step in crushing this vicious disease.

Mr. RAILSBACK. Mr. Speaker, the role of poverty in the cause of aggravation in America is seriously being investigated and debated, not only in Congress, but throughout the Nation. One uncontestable relationship between poverty and crime is the way in which operatives in the crime syndicate frequently force the poor to join them. Many individuals who need money can frequently borrow it only at exorbitant rates of 20 percent a week or even more. When the victim of such loan-sharking practices cannot repay, the lives and safety of them and their families are threatened unless they cooperate with the organized criminal in their nefarious activities.

The provision against loan sharking and the bill before us will go a long way toward stopping this practice, thereby denying to organized crime this source of recruits, of financial resources, and of entrance into legitimate businesses which they can use as covers for other illegal activities.

I strongly urge support and passage of the legislation before us today.

Mr. CONABLE. Mr. Speaker, in a year that is characterized by a growing awareness of the problem of crime, as well as the need for protection of consumers in business transactions, one of the most significant actions to take place in Congress has been, in my opinion, the enactment into the truth-in-lending bill of the provision against loan-sharking.

The practice of charging those least able to afford it, extortionate and illegal interest rates is an insidious activity that saps what little financial strength many of our urban poor possess. I believe that when final enactment of this very meaningful legislation is effected, this provision will provide Federal law enforcement officers with the much needed tools in this fight.

Mr. MATHIAS of Maryland. Mr. Speaker, in attacking the problem of crime in America one approach has been to increase the number of law enforcement officials, their training and their operations. But without a corresponding, well-developed set of procedural tools to enforce these laws, the authorities can also find themselves helpless in the face of spiraling crime.

Such is the case with organized crime in which we see through the use of loan-sharking methods the poor being driven to criminal activity to repay loans as well as the entry of organized crime into legitimate businesses.

The provision in the truth-in-lending bill striking at the loan-sharking practices, I believe, will give our law enforcement authorities one of these badly needed legal tools to combat this scourge on our society.

Mr. RODINO. Mr. Speaker, this is indeed a landmark day in the long struggle to provide protection for the American consumer. For with adoption of the conference report on S. 5 we have taken a most significant step in safeguarding consumers from the abuses and injustices of many credit and lending practices and in preventing excessive or deceptive credit charges.

Americans live in a largely credit economy, and a good credit rating is certainly highly desirable and, indeed, often a necessity. Today most Americans rely on credit to some degree and the practice is increasing. Outstanding consumer credit today totals \$95 billion; \$75 billion takes the form of installment credit, while interest costs on consumer credit alone amounted to nearly \$13 billion in 1966.

The magnitude of this business makes it imperative that the borrower know the cost of this important part of his budget, just as he knows the price of the loaf of bread or bottle of milk he buys.

S. 5 will assure a meaningful disclosure of credit terms, including the House provision requiring disclosure of the annual interest rate on revolving charge accounts. Consumers will thus be able to compare the cost of borrowing money and of installment purchases and can avoid the uninformed use of credit. It should also encourage a healthy competition among lending institutions.

This far-reaching measure also includes a long overdue restriction on the garnishment of wages. It is not as strict as the House-approved version, but nevertheless represents a signal breakthrough in this important area. As approved by the conferees, 75 percent of a worker's take-home pay after all legally required deductions—or \$48 a week, whichever is greater—will be exempt from garnishment. And employers will no longer be able to fire an employee by reason of a single garnishment of the employee's wages.

Another important feature of the measure is establishment of a Commission on Consumer Finance to study and appraise the functioning of the consumer finance industry with respect to the adequacy of existing arrangements to provide credit at reasonable rates and the mechanisms to protect the public from unfair credit practices. Its findings are to be reported to Congress by January 1971.

Mr. Speaker, as a cosponsor of the House version of the truth-in-lending bill, I am proud and pleased to have had a part in bringing this most essential and effective consumer protection legislation closer to enactment. I anticipate early Senate approval of the conference report and Presidential signature into law.

The SPEAKER. The question is on the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks and to include pertinent extraneous matter on the conference report just agreed to.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

CALL OF THE HOUSE

Mr. WYDLER. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 147]

Ashley	Green, Oreg.	Poage
Bates	Griffiths	Pool
Blatnik	Halleck	Resnick
Brock	Hanna	Roybal
Brown, Calif.	Hansen, Idaho	Saylor
Burton, Utah	Hardy	Scheuer
Carter	Hébert	Selden
Corman	Holland	Stratton
Cowger	Jones, Mo.	Stubblefield
Edwards, La.	Kluczynski	Teague, Tex.
Ford	Kuykendall	Tenzer
William D.	McMillan	Tunney
Fraser	Miller, Calif.	Waggonner
Gardner	Nelsen	Wilson
Garmatz	Olsen	Charles H.
Gilbert	O'Neill, Mass.	

The SPEAKER. On this rollcall 385 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

PERMISSION FOR COMMITTEE ON APPROPRIATIONS TO FILE REPORT ON STATE, JUSTICE, COMMERCE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS, 1969, UNTIL MIDNIGHT FRIDAY, MAY 24

Mr. ROONEY of New York. Mr. Speaker, I ask unanimous consent that the Committee on Appropriations may have until midnight, Friday, May 24, 1968, to file a report on the State, Justice, Commerce, the judiciary, and related agencies appropriation bill for fiscal year 1969.

Mr. LIPSCOMB reserved all points of order on the bill.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

TRUTH-IN-LENDING CONFERENCE REPORT

(Mr. CAHILL asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous matter.)

Mr. CAHILL. Mr. Speaker, it may come to you as it did to me as a great surprise to learn that the conference report on the very important truth-in-lending bill has passed the House.

It came as a surprise to me because I had been assured that I would be given at least 5 minutes during which to address my remarks to some of the very vital changes that were made between the time the bill passed the House of Representatives and the time it came back in the form of a conference report.

Mr. Speaker, in my judgment the truth-in-lending bill is not nearly as strong or as helpful to the consumers of this country as it was when it passed the House of Representatives.

I had hoped to bring to the attention of the Members of the House, as I am sure several other Members on my side of the aisle hoped to bring to the attention of the Members of the House, some of these changes.

I do not understand why the chairman of the committee, whom we understand was on the floor, did not ask for such time as was indicated so that it could be fully explained.

I am sure the Members of the House will recall that there were three amendments that I presented and which were accepted unanimously by the chairman and by the House. The amendments had to do with certain mortgages.

One of the really great abuses that is going on in this country today, prompted one of the amendments which was accepted. It required that the lender give 3 days' notice to anyone who is using his real property as collateral security for a loan so that the individual borrower would know exactly what the charges were.

Well, that has all been changed now. The bill now provides that if this information is not supplied, the borrower can have 3 days after the fact to rescind. So I want the Members to know that the truth-in-lending bill is not the great bill that it was when it left the House of Representatives. I hope that I will be given the opportunity to point out to the Members of the House some of the important changes that have been made and to develop necessary legislative history.

(Mr. CAHILL asked and was given permission to revise and extend his remarks.)

CONFERENCE REPORT ON TRUTH-IN-LENDING BILL

(Mr. POFF asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. POFF. Mr. Speaker, one of the essential components of the legislative process often is the writing of legislative history. Courts which undertake to interpret congressional intent in future years will find a want of true legislative history when they read the CONGRESSIONAL RECORD for today.

I believe it is regrettable that the procedure which was followed left no Member an opportunity to express what he conceived to be the purpose and effect of the new language which was written into the truth-in-lending bill by the committee on conference.

The only opportunity we now have to supply this information is to avail ourselves of the unanimous-consent request

which was granted to revise and extend our remarks.

Mr. Speaker, I shall certainly avail myself of that opportunity, and I hope that every Member of the House who has some individual meaningful viewpoint on any element of the bill will do likewise.

CONFERENCE REPORT ON TRUTH-IN-LENDING BILL

(Mr. GERALD R. FORD asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GERALD R. FORD. Mr. Speaker, I share the views of the gentleman from Virginia. It was fully expected, as far as I know, that there would be a discussion of the conference report on this very important legislation.

I know that the ranking Member on our side, the gentleman from New Jersey [Mr. WIDNALL] was here at the time, and it was known to the chairman of the committee that the gentleman from New Jersey [Mr. WIDNALL] and others on our side wanted time. I have good reason to believe that Members on the other side of the aisle had also expressed their requests to the chairman to be allocated time during the anticipated debate on this important legislation.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. GERALD R. FORD. I will be glad to yield to the distinguished majority leader.

Mr. ALBERT. Mr. Speaker, I will advise the distinguished minority leader that I did not know Members were desirous of speaking on the bill, but I do know that the gentleman from Mississippi raised a point, and that the gentleman from Missouri [Mrs. SULLIVAN] did say that she would put a full explanation of the bill in the RECORD, and that the gentleman from Texas received permission, if I am not mistaken, for all Members to extend their remarks.

I believe that there was no effort on the part of anyone to cut off time, or to cut off anybody. I believe it just happened quickly, and there were very few Members on the floor.

Mr. GERALD R. FORD. May I say that I was here before the session started, and I was on the floor up until just seconds before this matter came up. When I left the floor to go into the Speaker's lobby on business concerning my State of Michigan, the gentleman from New Jersey was here, and the gentleman from Illinois [Mr. ARENDT] was here.

It is my understanding from what I have heard from others that the chairman of the committee, the gentleman from Texas, did not ask for time at the time he brought the matter to the floor of the House, and it is our feeling that by his failure to ask for time—and he is the only one who can officially ask for such time—that Members on our side, and I suspect others, were deprived of an opportunity to discuss in person the very important legislation which went through the House in a matter of seconds. I regret that this unfortunately took place.

CONFERENCE REPORT ON TRUTH-IN-LENDING BILL

(Mrs. SULLIVAN asked and was given permission to address the House for 1 minute.)

Mrs. SULLIVAN. Mr. Speaker, I would like to say that all of us on this side, and I also consulted with the gentleman from New Jersey [Mr. WIDNALL], the ranking minority member of the Committee on Banking and Currency, expected that we would have an hour on the conference report and that we would split the time, each side taking one half-hour, expecting this discussion to go on.

But when the question was put on passage, everyone accepted it.

Now I do not know—I have been taught by Speakers Rayburn and McCORMACK that when you are winning on a bill here, you do not object to its passage; you sit down before you lose.

But may I say that no one had any intent or purpose of cutting off debate or cutting off explanations.

I want to assure the gentleman from New Jersey [Mr. CAHILL] that the substance of his amendments is in this conference bill. We had to fight hard and long and bitterly to keep them in the bill.

So far as the provision of the House bill for 3 days' notice before an agreement could be consummated with the door-to-door salesman, for instance, or anyone else, on a contract involving a residential mortgage, the amendment of the gentleman from New Jersey meant that a salesman would have had to come back in 3 days to nail down the order.

The final version of it now is that the buyer has three days grace in which to look over what he had signed, after he was told that he was signing a mortgage. Then if he decided that he did not want to go through with it, he could rescind it.

But another thing was put into this section in conference which strengthened the amendment of the gentleman from New Jersey [Mr. CAHILL]. If the seller leaves the item at the house of the buyer and the buyer decides after 3 days that he does not want it, and he rescinds the mortgage agreement, if the seller does not come back to pick up this item after a 10-day period, the buyer can keep this item and he does not even have to pay for it, because the burden is put on the seller when a mortgage on the buyer's residence is involved in one of these sales transactions.

Mr. CAHILL. Mr. Speaker, will the gentleman yield?

Mrs. SULLIVAN. I am happy to yield to the gentleman.

Mr. CAHILL. The gentlewoman has, I think, dramatically illustrated the need for a colloquy so that, as the gentleman from Virginia pointed out, we could establish some legislative history.

I do not read the amendment as the gentlewoman from Missouri reads it. I think there are serious questions as to interpretation.

I would also say in my judgment one very serious question goes to section 203(5)(e) where, as I read it, the acknowledgement of a receipt is conclusive proof and its is not a rebuttable presumption and this may very well deprive a suitor in court from establishing a claim for damages.

My only point, I will say to the gentleman, is that it seems to me, and I am sure she will agree, that this certainly was one bill, with the multitude of changes that were made in it, that deserved the establishment of a legislative history.

Mrs. SULLIVAN. May I just answer the distinguished gentleman and say that I am not a lawyer but counsel tells me that the gentleman is absolutely wrong in his assumption on this particular matter.

Mr. CAHILL. Mr. Speaker, if the gentleman will yield further?

Mrs. SULLIVAN. I yield to the gentleman.

Mr. CAHILL. I had a colloquy with counsel—and in my judgment counsel is absolutely wrong.

Mrs. SULLIVAN. Perhaps there was a misunderstanding between counsel and the gentleman. Earlier in the colloquy, the gentleman referred to a provision in section 203, which I assume is a reference to the House-passed bill. Now, I do not think we need get into a discussion now of what construction a court might have put on that language, had it been enacted into law. I can say that we never intended it to have the effect that the gentleman has suggested. However, section 125(c) of this bill very flatly states that where a real property security interest is involved, written acknowledgment creates only a rebuttable presumption of delivery.

Section 125(c) means just what it says. Section 131 has been very carefully drawn so that it has no applicability to any action involving a real property security interest subject to section 125—regardless of whether against the original creditor or against any assignee—and no applicability to any action against the original creditor, regardless of whether a real property security interest is involved.

May I say, Mr. Speaker, we had a very, very difficult time in conference in keeping a strong bill. We had to give on many details because we went in with 10 provisions in our bill that were not in the Senate bill. May I say we came back with those 10 provisions. But we did have to modify most of them in some way some—but we have not lost the real intent of the consumer credit protection act that the House passed on February 1.

I think we can all be proud of the bill that the conferees did turn out. Furthermore, there will be a whole year to work out the regulations before this goes into effect. The Board of Governors of the Federal Reserve must come up with these regulations within that time, and there will be full opportunity to review all of them for effectiveness in carrying out our intent.

And do not forget that the new Commission set up under this bill can also be going into this problem.

PARLIAMENTARY INQUIRY

Mr. CAHILL. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state the parliamentary inquiry.

Mr. CAHILL. Mr. Speaker, would it be in order for a Member to move to rescind the action heretofore taken by the House?

The SPEAKER. A motion would not be in order. But it would be in order for a unanimous-consent request to be made.

Mr. CAHILL. I thank the Speaker.

Mr. Speaker, may I be recognized for that purpose.

The SPEAKER. The Chair will entertain such a request, but prior to that the Chair recognizes the gentleman from Mississippi [Mr. COLMER], who is seeking recognition.

PERMISSION FOR COMMITTEE ON RULES TO FILE PRIVILEGED REPORTS

Mr. COLMER. Mr. Speaker, I ask unanimous consent that the Committee on Rules may have until midnight tonight to file certain privileged reports.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

PERSONAL ANNOUNCEMENT

(Mr. BROWN of Ohio asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BROWN of Ohio. Mr. Speaker, I would like to announce my position on a vote which I missed Monday, May 20, due to my presence in Ohio.

I would have voted in favor of H.R. 15387, regarding assaults on postal employees.

CONFERENCE REPORT ON THE TRUTH-IN-LENDING BILL

(Mr. BOLLING asked and was given permission to address the House for 1 minute.)

Mr. BOLLING. Mr. Speaker, I read the RECORD this morning, and there I saw that the first order of business today was going to be a conference report on truth in lending, so-called. I have listened with some interest to the colloquy that has been going on for some time on the matter. Frankly, I did not see the truth-in-lending conference report agreed to, but I certainly knew that it was scheduled.

INTERSTATE TAXATION ACT

Mr. ANDERSON of Tennessee. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 814 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 814

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 2158) to regulate and foster commerce among the States by providing a system for the taxation of interstate commerce. After

general debate, which shall be confined to the bill and shall continue not to exceed three hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on the Judiciary, the bill shall be read for amendment under the five-minute rule. It shall be in order to consider, without the intervention of any point of order, the text of the bill H.R. 8798 as an amendment to the bill. At the conclusion of the consideration of H.R. 2158 for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The SPEAKER. The gentleman from Tennessee will be recognized for 1 hour.

Mr. ANDERSON of Tennessee. Mr. Speaker, I yield 30 minutes to the distinguished gentleman from California. [Mr. SMITH], pending which I yield myself such time as I may consume.

Mr. Speaker, House Resolution 814 provides an open rule with 3 hours of general debate for consideration of H.R. 2158 to regulate and foster commerce among the States by providing a system for the taxation of interstate commerce. The resolution further provides that it shall be in order to consider, without the intervention of a point of order, H.R. 8798 as an amendment to the bill. H.R. 8798 would provide a system for the taxation of money earned outside a State.

H.R. 2158 deals with liabilities for State and local corporate net income taxes, capital stock taxes, and sales, use, and gross receipts taxes with respect to the sale of tangible personal property. This bill results from 5 years of extensive study, spearheaded by the able and distinguished chairman of the Subcommittee on State Taxation of Interstate Commerce, the gentleman from Louisiana [Mr. WILLIS].

No Federal administration or supervision is provided and there is minimal interference with State taxing discretion and revenue. The guidelines in the bill are essentially procedural—permitting State and local governments to pursue their tax policies with respect to interstate companies in a manner consistent with the realities of a multistate or nationwide business.

To accomplish these objectives the bill: first, provides a uniform jurisdictional rule based on the maintenance of a "business location" for the imposition of corporate net income, capital stock, and sales use and gross receipts taxes with respect to the sale of tangible personal property; second, provides an optional two-factor—property and payroll—apportionment formula for smaller companies for the division of net income or capital; third, in the sales and use tax area provides rules for locating sales for tax purposes in the State of destination, credits for prior sales or use taxes paid, exemption for household goods of new residents, uniform treatment of freight charges, accounting for local sales taxes, conclusiveness of resale and exemption certificates, and encouragement of direct payment of sales or use tax by business buyers; fourth, prohibits charges for out-

will cause no significant gain or loss in revenue to his State.

Since the material is already available to you, it would serve no useful purpose for me to review the effects on each State in detail. Instead, I would like, frankly, to give you the benefit of the experience which we on the committee have had in evaluating the revenue aspects of the proposals embodied in H.R. 2158.

When we were studying the interstate tax problem and had not yet made any recommendations, the Council of State Governments had already published a study indicating that a resolution of the corporate income tax problem alone would be well worth the price if no State were to lose much more than 1 percent of its total revenue. Now I want to emphasize that this criterion of the Council of State Governments applied to only one type of tax—the corporate income tax. In other words, it was assumed that a loss of 1 percent of a State's total revenues—not corporate income tax revenues, but total tax revenues from all tax sources—would be a loss which would be well worth the price in view of the long-term beneficial effects on the State's tax system of resolving the corporate income tax dilemma.

In recommending H.R. 2158, I am extremely pleased to be able to assure my colleagues that our committee has been so devoted to its task, and scrupulous in its attention to the revenue needs of the States, that the criterion established in the study of the Council of State Governments has been more than met by H.R. 2158. If 1 percent of a State's total revenues is a moderate price to be paid for a resolution of the corporate income tax problem alone, then certainly a bill which covers four major types of taxes, and has a combined effect of much less than 1 percent on the revenues of any single State, is a bill which warrants the wholehearted support of all of us.

I can assure you that most States would have an immediate gain or loss of less than two-tenths of 1 percent of their total revenues. We have more than accomplished our goal. Indeed, the simple fact about this bill—based on an honest evaluation of every bit of information and data made available with the full resources of the Congress—is that two-tenths of 1 percent of total revenues represents the maximum possible gain or loss to any single State in the United States.

Before leaving this extremely important matter of revenue let me make one point absolutely clear. It is obvious that a loss of two-tenths of 1 percent of a State's revenue is not going to be significant to that State—indeed no State can predict its anticipated revenue yield for next year within that close a margin. However, the fact that we have predicted a "loss" for some States does not mean that any State will, in the long run, lose revenues. Any "loss" predicted by us simply represents our evaluation of the effect of the bill in an immediate sense on current practices. In a larger sense, each State clearly stands to have its revenues substantially increased as a result of this measure.

These inevitable increases in State revenues will obviously result from two basic aspects of the Interstate Taxation Act. First, the removal by the act of the present trade barriers will foster and stimulate the growth of local industry in every State; the growth of local industry will likewise be reflected in increased local revenues. Second, under uniform standards, it will be easier for tax administrators to enforce their laws, and easier for taxpayers to comply—likewise resulting in greater revenue yields for all of the States.

I believe we all should remember that the simplest and most obvious way to increase State revenues is to strengthen the economies of the States. The present bill will do just that. The other simple way to increase revenues is to reduce governmental administrative costs. The present bill will do that. What is also significant is that these goals are accomplished without the expenditure of one dollar of Federal funds, and without the use of any Federal agency. Under these circumstances the enactment of this program will surely be commended as one of the outstanding legislative achievements of the 90th Congress.

This leads me then to anticipate still another objection which many of the tax administrators are raising to the present measure—an objection which is perhaps the most farfetched of all. Because of the efforts of our committee to provide an orderly system for State taxation of interstate commerce, the cause of States rights has suddenly acquired a host of new adherents. The tax administrators, en masse, have attempted to persuade many Governors and many Members of Congress that this program—which was initiated 8 years ago by such able legislators as the late Senator Harry Byrd, of Virginia, and Francis Walter, of Pennsylvania, as well as *EX WILLIS*, of Louisiana—is a program designed to undermine the autonomy of State and local governments.

During our hearings last year we heard a number of tax administrators argue that for Congress to legislate in this area would abridge the inherent powers of the States. Indeed, the official position of the National Association of Tax Administrators is that Congress ought to discontinue all consideration of the interstate tax problem, and leave it entirely to the tax officials to find their own solutions. Although I do not doubt the deep sincerity of this view, I frankly feel that there is a false premise to the political philosophy of many of the tax collectors. As a Member of Congress who has consistently opposed any form of Federal encroachment on genuine State powers, I can assure you that far from detracting from the powers of State governments, the present measure will, in fact, preserve and strengthen the power of the States.

The most cursory study of American history teaches us that trade barriers between the States weaken all of the States, and that the greatest single source of economic strength for each State has been in the freedom of its local business community to enjoy the fruits

of a single national market. From my own studies of American history, I can recall only two times in the past when the notion was seriously advanced that each State could better thrive economically if it were given the power to shift its tax burdens on to businesses located beyond its own borders.

The first time this notion was seriously advanced was when the great debates took place over the ratification of our Constitution. Fortunately, for all of us—and for the whole world—the concept of trade barriers between our States was rejected by the States themselves in favor of a single economic Union.

The second time the notion was seriously advanced was immediately prior to the outbreak of the great War Between the States. At that critical period there were some who seriously argued that by withdrawing from the Union some States would be able to benefit from having unlimited taxing powers over companies beyond their borders. Perhaps the fallacy of this notion has been best described in the inaugural address of President James Buchanan, who immediately preceded Lincoln. President Buchanan admonished the Nation with the following words:

We at present enjoy a free trade throughout our extensive and expanding country such as the world has never witnessed . . . Annihilate this trade, arrest its free progress by the geographical lines of jealous and hostile States, and you destroy the prosperity and onward march of the whole and every part and involve all in on common ruin.

Although the War Between the States left unresolved many of the major problems of that period, the issue of whether each State should have unbridled taxing power over interstate commerce was indeed laid to rest for a second time by the resolution of the war. From then, until now, I know of no national debate in the Congress in which the power of States to tax out-of-State companies has been advanced as being essentially for the preservation of the economic well-being of each separate State. I submit that the issue ought properly to be resolved in but one way—that we in Congress ought to exercise the responsibility entrusted to us by the original framers of our Constitution. This is the responsibility to protect genuine interstate commerce from undue burdens, and to assure that every small businessman in every corner of the Nation be able to share in the national market. For many years we in Congress have neglected this responsibility. We have allowed the interstate tax problem to fester to such an extent that it is now easier for companies in foreign countries to market foreign products in the United States, than it is for our small local companies to ship domestic goods across State lines. Clearly the commerce clause of the Constitution gives us the duty to act.

Time and again I have heard the commerce clause cited in this House as a justification for every conceivable type of Federal program. On the table in Mrs. Murphy's boardinghouse, we have been told, there stands a saltshaker containing salt sold in interstate commerce. Therefore, we have been told Congress

has a responsibility to regulate purely local matters. Yet now that we are confronted with the issue of State taxation of interstate commerce—the very issue which gave birth to the Congress itself—we are told by some that the tax collectors of 50 States, and hundreds of thousands of localities, are better able to protect the national interest than are the U.S. House of Representatives and the U.S. Senate.

Far from weakening the States the present bill would clearly strengthen each State. In my own State of North Carolina, for example, this measure will mean that a local businessman can maintain all of his assets and all of his employees in North Carolina, and still sell into the national market without being burdened by taxes imposed by States in which he has no business location and no political representation. This is a measure which can mean the difference between failure and survival for a small manufacturer, wholesaler, or retailer—who may have 50 employees, but who plays a vital role in the economy of his local community.

My own State, and my own congressional district, are certainly not unique. Fortunately for all of us, our entire country is made up of countless numbers of small businessmen who feel a strong sense of identification with their own local communities. The defeat of this measure will mean that only those very large corporations that are equipped with expensive computers and staffs of accountants, and are advised by high-priced tax specialists, will be able to compete successfully in the national market. I am convinced that if the day comes when the small businessman is denied access to the national market it will mean that State and local governments will, themselves, have become obsolete. I urge you, therefore, to consider this bill as one of the most important ways in which the Congress can strengthen the States.

Finally, in closing, there is still another feature of the program initiated by the late Senator Byrd, and carried on so admirably under the chairmanship of Ed WILLIS, which I commend for your consideration.

Unlike most of the legislative programs which are presented to this body, the present bill has been aptly described by Congressman CELLER as "a child of the Congress." All of the research, all of the care, all of the consideration which has gone into the fashioning of this program over an 8-year period has been under the direct auspices of a special subcommittee which the Congress itself created. I, for one, feel extremely proud to have participated in the formulation of this program, and strongly hope that more and more the Congress will rely on its own resources to fashion its own legislative solutions.

I believe that the passage of this bill will stand as a monument to the ability of the Congress to deal with a complex problem in a well-planned and highly objective way. Eight years ago when we first began our task Ed WILLIS imparted to each of us a deep awareness of the importance to every corner of the Nation of preserving the basic economic truth

of our history. As chairman of our subcommittee he has offered the Congress a bill which is so sound as to be a monument both to him and to us. Our chairman and our committee has met its responsibilities. I urge you to meet yours by voting favorably for the Interstate Taxation Act.

Mr. ANDERSON of Tennessee. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

CONSUMER CREDIT PROTECTION ACT

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to vacate the proceedings by which the House adopted the conference report on the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. HUNGATE. Mr. Speaker, reserving the right to object, all Members were notified this measure would be before the House today as the first order of business. This legislation has been before this body for 8 years. Objection should have been made before the vote was taken.

Mr. Speaker, I object.

The SPEAKER. Objection is heard.

VACATING PROCEEDINGS OF THE HOUSE

(Mr. GERALD R. FORD asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GERALD R. FORD. Mr. Speaker, I think it is most unfortunate that the gentleman from Missouri has objected. I do not excuse anyone for not being here and protecting his individual rights. But I think this is very important legislation and, as the distinguished gentleman from Virginia explained a few moments ago, this is legislation that ought to have a full and ample discussion so that the courts of the land, State and Federal, will have some legislative history to go by. I think it would be helpful if the record were full and complete for the benefit of those individuals who have to interpret what the Congress intended in some of these very difficult areas. I would strongly hope that the gentleman from Missouri would reconsider and not object to the move by the gentleman from Texas to vacate the proceedings so that we can start afresh.

Mr. CAHILL. Mr. Speaker, will the gentleman yield?

Mr. GERALD R. FORD. I will be glad to yield to the gentleman from New Jersey.

Mr. CAHILL. I would like to say to the gentleman from Missouri [Mr. HUNGATE] that I had intended to be here at 12 o'clock noon. But I was detained at the White House at a bill-signing ceremony that was scheduled for 11:30 a.m. but which did not begin until 11:50. Had

that ceremony been on time, I would have been able to be back here on time. So I, too, join with the distinguished minority leader in asking that the gentleman from Missouri reconsider his objection.

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that we have a special order of 40 minutes on this matter.

The SPEAKER. The Chair will state to the gentleman from Texas that the Chair will not entertain that particular unanimous-consent request for such special order.

Mr. PATMAN. Mr. Speaker, I withdraw the unanimous-consent for the special order, but ask unanimous consent that I may proceed for 40 minutes in a discussion of the conference report and yield one-half of the time for debate purposes to the minority side.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. GERALD R. FORD. Mr. Speaker, reserving the right to object—and I appreciate the effort on the part of the distinguished chairman to seek some measure of relief—I just do not understand the attitude of the Member who has objected. I think—for the benefit of the legislative history and the record as a whole—that although this is a substitute, it is not the way in which it ought to be done. I deeply regret that necessity requires that this be the procedure.

Mr. PATMAN. Mr. Speaker, will the distinguished minority leader yield for a comment?

Mr. GERALD R. FORD. Of course, I yield to the gentleman from Texas.

Mr. PATMAN. Mr. Speaker, no one was taken advantage of. I had talked to the gentleman from New Jersey [Mr. WIDNALL] before the conference report came up and told him that I would yield for debate purposes 30 minutes of the time to him, which I fully intended to do.

Mr. GERALD R. FORD. May I interject this: I do not allege that anyone was taken advantage of. I say that a series of unfortunate events transpired that multiplied into a mistake which can and should be remedied.

Mr. PATMAN. Everyone had put his or her statement on the bill in the RECORD immediately and all of the Members I saw were satisfied; that is, everyone I talked to.

Mr. GROSS asked if he should make a motion to reconsider and I advised him not to do so until after I had had an opportunity to talk with others about it. But I came back and told him that I did not think it would be the right thing, and he did not make the motion to reconsider.

I was prepared to make my speech on the conference report. The Speaker reminded me that the conference report was adopted.

So, we were all right here and anyone of us could have objected at the right time. It was not done. That is all. But after it was done, we put our speeches in the RECORD and they are all there and it will show the legislative intent.

Since no one was taken advantage of, and certainly no unfair method was used, we do not have too much to question in

my opinion. I share the views of the gentleman. I would like to have had it that way.

Mr. GERALD R. FORD. I am sure that the chairman, the gentleman from Texas [Mr. PATMAN], with all his vast experience over a long period of time, well knows that we do not write the legislative history after the legislation is approved. The legislative history is written before the legislation is finally approved. I realize that the gentleman wishes to be helpful, but it does not come at the right time and place and, in my opinion, it is a very unfortunate development.

Mr. MONTGOMERY. Mr. Speaker, would the gentleman from Texas yield?

Mr. PATMAN. The gentleman from Michigan has control of the time.

Mr. GERALD R. FORD. I yield to the gentleman from Mississippi.

Mr. MONTGOMERY. I thank the gentleman for yielding.

Mr. Speaker, I would like to point out to the gentleman from Texas, our distinguished chairman of the committee, that I also asked him if I could have 5 minutes to discuss a title section in the bill pertaining to garnishment, and the chairman told me that I could not have 5 minutes. I said, "Can I have 30 seconds?" He said, "What you can do is, when the gentlewoman from Missouri [Mrs. SULLIVAN] makes her remarks, you can ask her questions." So I assumed that the chairman would actually ask for the time. I was alert and waiting here, Mr. Speaker, and, as I said, the parliamentary procedure moved very swiftly, but I want the RECORD to show that I did ask the chairman for time, and he informed me that I should ask questions of the gentlewoman from Missouri.

Mr. PATMAN. But, Mr. Speaker, if the gentleman will yield further, may I say the parliamentary procedure did not move any more swiftly than it sometimes does here. The questions were put by the Speaker of the House, and any Member could have objected, or if he wanted to contest it or protest it, he had a right to do it, we were all right here.

I agree with the gentleman from Michigan, the distinguished minority leader, that we expected to debate it, but it did not come about that way.

Mr. GERALD R. FORD. The gentleman from Texas controlled the time, and he did not ask for the time.

Mr. PATMAN. Oh, I had the time coming to me, but the report was adopted, and the same way on the side of the gentleman from Michigan, the minority Member was sitting right there, and he did not object.

Mr. GERALD R. FORD. The gentleman from Texas will agree that nobody on our side has the right to get time. Nobody can get time but the gentleman from Texas, because he is chairman of the committee, or head of the conference. He has to ask for time, and then controls it.

Mr. PATMAN. You only get the time—

Mr. GERALD R. FORD. When you have asked for it, and it has been given.

Mr. PATMAN. No, before the report is adopted; you do not get the time after you adopt it.

Mr. GERALD R. FORD. I know that, but it is the responsibility of a person in the position of the gentleman from Texas on behalf of the people on both sides of the aisle who have asked for time to see that time is available. But time was not asked for.

Mr. PATMAN. I was sincerely trying to carry out the discussion of the bill, as we do normally, and in pursuance of that I had agreed with the ranking majority Member that half the time would be yielded to him, and fully expected to. I had told the gentleman from Mississippi that Mrs. SULLIVAN would be discussing that particular matter in which he was interested, and Mrs. SULLIVAN would yield to him, and Mrs. SULLIVAN said she would. So we really fully expected to do so.

Mr. GERALD R. FORD. Did the gentleman ask for time?

Mr. PATMAN. You do not ask for time, you take time.

Mr. GERALD R. FORD. But did you take time?

Mr. PATMAN. No, I was standing up, of course, and was expected to open the debate myself. I had my manuscript before me.

Mr. GERALD R. FORD. Did you read from the manuscript?

Mr. PATMAN. Not until after. I attempted to do so, but of course could not do so because the conference report had been adopted.

Mr. GERALD R. FORD. So that there are no words from you prior to voting on the conference report.

Mr. PATMAN. Not asking for a vote, no; except it is automatic.

Mr. GERALD R. FORD. Automatic? I did not know we had automatic roll-calls here. It did not appear on the RECORD.

Mr. PATMAN. No. There is no roll-call. It is automatic so far as the questions being put by the Speaker. It has been done that way thousands of times, of course. There is nothing abnormal about it.

Mr. WIDNALL. Mr. Speaker, will the gentleman yield?

Mr. GERALD R. FORD. I will yield to the gentleman from New Jersey.

Mr. WIDNALL. Mr. Speaker, I believe we are entitled to know who moved the adoption of the conference report. That has got to be in the RECORD somewhere, and I do not believe there is any record anywhere that indicates that anybody moved the adoption of the conference report.

Mr. PATMAN. I called it up for adoption, as chairman I had the privilege of calling up the report for adoption on S. 5.

Mr. WIDNALL. Mr. Speaker, will the gentleman yield further?

Mr. GERALD R. FORD. I yield further to the gentleman from New Jersey.

Mr. WIDNALL. It was my understanding as this bill came up that the chairman of the committee would utilize the hour that is available for discussion of the conference report, and that half of the time that would be available would be allocated to the minority for their utilization in the discussion of the conference report. And I am very much amazed that at this point there seems to be an understanding that there be no discus-

sion at all. This was not the understanding at all.

Mr. GERALD R. FORD. Mr. Speaker, so that the record is crystal clear, I request that the notes of the reporter be reread to the Members.

The SPEAKER. The Chair will state that has never been done before so far as the knowledge of the Chair is concerned.

Mr. GERALD R. FORD. Mr. Speaker, I am not sure that a circumstance like this has ever happened before, either. Inasmuch as it is important to know whether the gentleman from Texas moved—or just what transpired—I think it would be very helpful to all of us if we could have the reporter's notes reread at this time.

Mr. PATMAN. Mr. Speaker, will the gentleman yield?

Mr. GERALD R. FORD. I yield to the gentleman.

Mr. PATMAN. Let us have this understanding. We were all sitting here. The Speaker was putting the question. The gentleman from New Jersey [Mr. WIDNALL] and the distinguished minority whip were sitting together. When all this happened, either one could have objected—protested and stopped this thing at the right time. I was busily engaged with the members of the committee. I do not think anybody should undertake to accuse the Speaker of any wrongdoing. No one had any intention of taking any advantage of anyone.

The SPEAKER. The Chair will suggest that the Members can carry on their colloquy but the position of the Chair is clear—the gentleman from Texas called up the conference report and had asked that the statement of the managers on the part of the House be read and after the Clerk had proceeded to read the statement, the gentleman from Texas asked unanimous consent that the further reading of the statement of the managers on the part of House be dispensed with and that it be placed in the RECORD.

The gentleman from Texas was standing and the Chair rose and said—"The question is on agreeing to the conference report." The Chair did it deliberately—and the report was agreed to. The Chair acted most deliberately.

Mr. GERALD R. FORD. Mr. Speaker, under no circumstances am I challenging the procedure that was used by the Speaker. But I am a bit confused by what I gather transpired so far as the chairman, the gentleman from Texas, is concerned. As I understood it, he has started to read from his prepared statement and then something happened while he was reading. Is that not what the gentleman from Texas said?

Mr. PATMAN. If the gentleman will yield, let me put the record straight on that. I did not intend to read my entire statement at the time. I intended to read a portion, and then state that I wanted to yield 30 minutes of the time to the gentleman from New Jersey [Mr. WIDNALL] for purposes of debate. But Mr. Speaker reminded me that the conference report had already been adopted and, therefore, there was nothing for me to do except to ask unanimous consent that all Members might have 5 legis-

lative days in which to extend their remarks in the RECORD on the conference report that was just passed. But nothing happened after I attempted to read my speech.

Mr. GERALD R. FORD. But a lot has happened since then.

Mr. PATMAN. I beg the gentleman's pardon.

Mr. GERALD R. FORD. But a lot has happened since then.

Mr. PATMAN. Well, there was no demand for any reconsideration immediately after that from your side, I will say that.

Mr. GERALD R. FORD. In the first place, we were stunned by the failure of the gentleman to provide the protection which we deserve, expected, and which was not accorded to us.

The gentleman from Texas knows very well that there was a demand on the part of certain people—a request—that by all sense of justice and comity that is normally given—and the gentleman from Texas did not see that they received that consideration.

Mr. PATMAN. The gentleman said he was so stunned—but it took you a long time to get unstunned.

There was a long time before there was any attempt to obtain reconsideration.

Mr. GERALD R. FORD. In the meantime, we were talking to various people, including the gentleman from Texas, the Speaker, and others. We were trying to find out whether, in all justice, consideration would be given.

Mr. PATMAN. Mr. Speaker, will the gentleman yield further?

Mr. GERALD R. FORD. I am glad to yield to the gentleman from Texas.

Mr. PATMAN. It must be remembered that when the distinguished Minority Leader is not present, the Minority Whip must be in control; is that correct, and that he would pass upon policies for the minority?

Mr. GERALD R. FORD. Yes.

Mr. PATMAN. I asked the Minority Whip if he wanted the report considered, and he said, "No, let it go."

Mr. ARENDS. Mr. Speaker, will the gentleman yield?

Mr. GERALD R. FORD. I yield to the gentleman from Illinois.

Mr. ARENDS. Will the gentleman from Texas make that statement over again, because I feel he is putting words in my mouth.

Mr. PATMAN. Yes; I will make it more specific. The distinguished Minority Whip and the minority ranking member of the Banking and Currency Committee were sitting together. I said, "Mr. Gross has suggested that he move to reconsider and I asked him to hold it up a minute. I wanted to ask you gentlemen what you thought of it," and you said it is my distinct recollection, "Let it go. It is all right." And Mr. WIDNALL sat with you.

Mr. ARENDS. Let me say to you, Mr. PATMAN, I remember no such statement being made to me.

Mr. PATMAN. That is the way I understood it.

Mr. ARENDS. Possibly that is the way you understood it, but please do not put words in my mouth, although I remember distinctly your coming over here to our side.

Mr. PATMAN. Then I said to Mr. Gross, "There is no demand for any reconsideration," and I understood that you did not want the matter reconsidered.

Mr. ARENDS. I am not going to take you off the hook, Mr. Chairman.

Mr. PATMAN. I am sorry this matter came up that way. I regret very much I was compelled to tell the truth about it, because I know it is unpleasant to the gentleman. I meant no discourtesy. I have great respect and high regard for the leaders on the minority side.

Mr. ARENDS. Mr. Speaker, will the gentleman yield?

The SPEAKER. Does the gentleman from Michigan yield to the gentleman from Illinois?

Mr. GERALD R. FORD. I yield to the gentleman from Illinois.

Mr. ARENDS. Mr. Speaker, I would like to address an inquiry to you. Is there some possible way in which, parliamentarywise, we could get back to consideration of the conference report?

The SPEAKER. By unanimous consent.

Mr. ARENDS. And, of course, such a request has been objected to. Might I once more make that unanimous-consent request because of the discussion and the interest of Members on both sides of the aisle to further discuss the conference report?

The SPEAKER. If the gentleman from Texas [Mr. PATMAN] desires to make that unanimous-consent request again, the Chair will recognize him for that purpose. The Chair does not mean that he would preclude recognition of another Member.

Mr. PATMAN. Mr. Speaker, to be perfectly fair with the gentleman, I ask unanimous consent that the proceedings by which the conference report on the bill S. 5 was adopted be vacated.

The SPEAKER. Does the gentleman temporarily withdraw his previous unanimous-consent request to which the gentleman from Michigan and the gentleman from New Jersey reserved the right to object.

Mr. PATMAN. Mr. Speaker, I withdraw that request.

The SPEAKER. The request is withdrawn. The Chair recognizes the gentleman from Texas [Mr. PATMAN].

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to vacate the proceedings of the House of Representatives today by which the conference report on the Consumer Credit Protection Act, S. 5, was adopted.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. HUNGATE. Mr. Speaker, reserving the right to object, I think we would all regret if someone had not had an opportunity to make his position clear on this legislation, which, as I understand, has been pending some 8 years. On the Consent and Private Calendars each month we seem to have no difficulty in making objections, sometimes by the page.

Mr. Speaker, I object.

The SPEAKER. Objection is heard.

Does the gentleman from Texas now renew his previous unanimous-consent request?

Mr. PATMAN. Mr. Speaker, I renew the request. I ask unanimous consent to address the House for 40 minutes with the understanding that the remarks will be related only to the Consumer Protection Act conference report, and with the understanding that 20 minutes of the time will be used by the minority.

Mr. CAHILL. Mr. Speaker, I reserve the right to object.

The SPEAKER. The gentleman from New Jersey reserves the right to object.

Mr. PATMAN. Mr. Speaker, we have the time.

Mr. CAHILL. Mr. Speaker, I have the time. I would like to make this statement and ask the chairman of the committee whether this is correct. It is my understanding that this bill was passed by the Congress to protect the consumers of America, that one of the ways the consumers are to be protected is by a right to go into court and to assert their rights and have the court pass upon them.

As I understand it, if a court is called upon to pass upon this legislation, the only legislative history that it can consider in interpreting what the Congress really meant is that which preceded the adoption of the conference report, because it is presumed that the Congress adopted it based upon the dialog and the discussion and the legislative history; and, regardless of how much we might discuss this under the gentleman's motion, it seems to me it will serve no useful purpose for a court.

Therefore, we will be merely filling up the CONGRESSIONAL RECORD with speeches that will be meaningless.

I cannot understand this, because it seems to me there has been an honest mistake made here.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. CAHILL. When I finish this, I will be happy to yield. I think there is objection to what the gentleman is saying.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. CAHILL. Not at the moment.

Mr. ALBERT. Mr. Speaker, then I object.

Mr. CAHILL. Mr. Speaker, I demand regular order.

The SPEAKER. Regular order is demanded.

Mr. ASHBROOK. Mr. Speaker, I object to the request.

Mr. ALBERT. Mr. Speaker, may I make a unanimous-consent request?

The SPEAKER. Just a minute. Regular order has been demanded, and on the unanimous-consent request made by the gentleman from Texas for debate for a period of 40 minutes in connection with the conference report, has the gentleman objected to that?

Mr. ASHBROOK. Mr. Speaker, I object.

The SPEAKER. The Chair recognizes the gentleman from Oklahoma.

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that 40 minutes of debate may be had on this matter, to be equally divided between the gentleman from Texas and the gentleman from New Jersey, and that it appear in the RECORD prior to the adoption of the conference report.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

The Chair will always preserve the dignity of the proceedings of the House in protecting the rights of the Members.

The question now is: Is there objection to the request of the gentleman from Oklahoma.

Mr. POFF. Mr. Speaker, I reserve the right to object.

The SPEAKER. The gentleman from Virginia reserves the right to object.

Mr. POFF. Mr. Speaker, I reserve the right to object in order to propound a question to the distinguished majority leader. In the event the House agrees to the request of the gentleman, would the minority maintain the right under the rules of the House to offer motions to recommit if it were so disposed?

The SPEAKER. The gentleman ought to address his question to the Chair. That question should be addressed to the Chair, and, assuming that the gentleman did address the Chair, the Chair will state that point has gone by, and a motion to recommit under those circumstances would not be in order.

Mr. POFF. Mr. Speaker, still reserving the right to object, I do not mean to imply—indeed I do not, and I support the conference report—but I do want to make the point, Mr. Speaker, just now that the minority will not be enjoying the same privilege as it would have enjoyed had the regular procedure been pursued.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

The SPEAKER. The gentleman from Texas [Mr. PATMAN] is recognized for 20 minutes and the gentleman from New Jersey [Mr. WIDNALL] will be recognized for 20 minutes.

Mr. MONTGOMERY. Mr. Speaker, a parliamentary inquiry.

The SPEAKER pro tempore (Mr. CAREY). The gentleman will state his parliamentary inquiry.

Mr. MONTGOMERY. I participated in the debate and was given a minute, by unanimous consent, to state my remarks about the garnishment section of the bill. Will that still appear in the RECORD, or do I now have to participate in this part of the debate?

The SPEAKER pro tempore. The Chair will state that if the gentleman is yielded to and given time, all matters during that period will appear in the RECORD, as well as the remarks the gentleman made previously on the subject.

Mr. MONTGOMERY. I made my remarks after the conference report had been adopted.

The SPEAKER pro tempore. The gentleman may ask unanimous consent to have his preceeding remarks printed.

Mr. MONTGOMERY. Mr. Speaker, I ask unanimous consent that my remarks made after the conference report was adopted be included in the printing of remarks made in the 40 minutes now allotted.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

INTERSTATE TAXATION ACT

Mr. WILLIS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 2158) to regulate and foster commerce among the States by providing a system for the taxation of interstate commerce.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 2158, with CAREY in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Louisiana [Mr. WILLIS] will be recognized for 1½ hours, and the gentleman from Ohio [Mr. McCULLOCH] will be recognized for 1½ hours.

Mr. McCULLOCH. Mr. Chairman, I should like to have recognition to make the statement that our colleague, the distinguished gentleman from West Virginia [Mr. MOORE], will have charge of the time on this side of the aisle, as the gentleman from Louisiana [Mr. WILLIS] will have charge of the time on the majority side.

The CHAIRMAN. The gentleman from West Virginia [Mr. MOORE] will be recognized for 1½ hours.

Mr. WILLIS. Mr. Chairman, I yield such time as he may consume to the distinguished chairman of the Committee on the Judiciary, the gentleman from New York [Mr. CELLER].

(Mr. CELLER asked and was given permission to revise and extend his remarks.)

Mr. CELLER. Mr. Chairman and my colleagues, the bill before us today, H.R. 2158, the proposed "Interstate Taxation Act," represents a vitally needed reaffirmation of one of our most cherished economic principles. Students of American history have been unanimous in pointing out that it was the need for a single market common to all geographical regions of the country that bound our States into a Nation. When the great debates took place concerning the adoption of the Constitution, John Marshall, one of our early Chief Justices, vigorously asserted that merchants who are located in one State should be protected from burdensome regulation in neighboring States where they had little or no political representation. Indeed, in describing the ratification of the Constitution by the Commonwealth of Virginia, the Chief Justice emphasized the critical importance to the merchants of Virginia of having unfettered access to markets in such States as Pennsylvania, Connecticut, North Carolina, and New York. H.R. 2158 is designed to implement this same traditional principle.

In 1959, problems arising from State taxation of interstate commerce reached

critical proportions in the celebrated Northwestern Portland Cement Co. case. The Supreme Court made it clear that only Congress can appropriately deal with the vexing problems that arise from a plethora of conflicting State and local tax laws. Since then, both the Court, as well as the business community, have looked to us for guidance.

When the special subcommittee, under Chairman WILLIS, a most dedicated Member, began its study 6 years ago, it was apparent that interstate business was being seriously burdened. In the ensuing years, the situation has grown progressively worse, and there has been a greater and greater outcry for relief. H.R. 2158 is the considered judgment of the Judiciary Committee as to what action should be taken to provide that relief.

The provisions of the bill basically establish jurisdictional standards with respect to the imposition on interstate commerce of State and local corporate net income, capital stock, sales and gross receipts taxes as they affect interstate companies. They are effective, acceptable solutions which will have no untoward revenue effects. They are solutions which are in accord with the practical realities of our modern economy, but which at the same time give renewed vitality to one of our Nation's oldest traditions. The prompt passage of H.R. 2158 will be of immense benefit to the business community, to the integrity of our federal system, to the vitality of our States, and to the efficient functioning of our courts. It is indeed a measure which is sorely needed.

In conclusion, there is a further aspect of H.R. 2158 which I would like to commend to your attention. Of late, political commentators are fond of noting that over the years Congress has given up more and more of its responsibility for initiating legislation. Yet the proposed bill is very much a child of the Congress. It is the final product of a mandate which was given to us 7 years ago under Public Law 86-272. The comprehensive study which was conducted by the Judiciary Committee and occupies a total of eight full volumes, has become the definitive work on this subject. I believe that the study and the bill now before you demonstrate that Congress does have the ability to find facts, and to frame objective solutions for even the most complex problems. Mr. WILLIS and his subcommittee have labored long and hard to fashion a program of which we in Congress can indeed be proud. I urge the passage of this vitally needed legislation.

Of course, this bill is not a complete answer to everything. No bill is without flaws, and probably the future may indicate some of those situations that need even greater attention on this very momentous subject.

As the Members know, all bills—bills that try to reach solutions—

Mr. WILLIS. Mr. Chairman, will the gentleman yield at that point?

Mr. CELLER. I yield to the gentleman from Louisiana.

Mr. WILLIS. I thank the gentleman for yielding.

Mr. Chairman, I wish to point out that there is a provision in this bill, and I am sure this will be of interest to the gentleman and to the rest of the Members, that says that the committee retains jurisdiction of the subject matter for 4 years to consider future problems.

Mr. CELLER. Which is indeed an excellent provision, and which betokens the foresight of the chairman, the gentleman from Louisiana [Mr. WILLIS].

But, Mr. Chairman, as I was saying, all of our bills do not always hit exactly on the target. We are successful sometimes, and sometimes we are not. I am reminded, Mr. Chairman, of the story they tell about Sir James Barry, the famous author of "Peter Pan." He was asked once whether his plays were always successful, and he said, "Some of my plays are successful, and some are not," and he said, "some of my plays peter out, and some of them pan out."

So, Mr. Chairman, I want to say that this bill in general, as far as the answer to the vexatious problems of the taxpayers are concerned, mostly will pan out, and not peter out.

The CHAIRMAN. The Chair recognizes the gentleman from West Virginia [Mr. MOORE].

Mr. MOORE. Mr. Chairman, I yield such time as he may require to the gentleman from Ohio [Mr. McCULLOCH].

Mr. McCULLOCH. Mr. Chairman, I rise in support of H.R. 2158, the interstate taxation bill.

My colleagues, today, in many ways, could be one of our finest hours. There are many who criticize the Congress as the fallen branch of our tripartite Government. It is said that Congress only reacts to Executive proposals but does not imaginatively and creatively seek solutions to problems.

To those doubters, I proffer H.R. 2158, so ably looked after for well over 6 years on the majority side by that able constitutional lawyer, the gentleman from Louisiana, Ed WILLIS, and on the minority side by the gentleman from West Virginia, ARCH MOORE, who has done so much in the last decade in this very difficult, trying field of legislation.

So this legislation is, indeed, the child of the Congress.

Congress perceived the need.

Congress initiated the study.

Congress drafted the bill.

We have spent 6½ years in labor studying this bill—two volumes of hearings and four volumes of exhaustive and thorough analysis of the problem.

The bill accurately reflects those tireless efforts. It sets a standard of excellence for the legislative process. Thus, with pride, I lend my name in support of this bill.

The problem of multiple State taxation of businesses operating in interstate commerce is not a simple one. The issues are many and complex.

But ultimately, the search has been for some golden mean, some rule to balance the competing interests of State revenues and of free commerce. The bill achieves a golden mean. It is fair.

There are those who would argue that a State should be allowed to tax a business even though it is in no way located in the State.

There are those who would argue that a State should be allowed to require a business to police the collection of the State's sales and use tax even though it is in no way located in the State.

I can well appreciate how these arguments would appeal to State and local tax collectors. Their task is to raise revenue and to do so as painlessly as possible.

Certainly, it is advantageous for State and local tax collectors to deflect the impact of their taxes onto those without political representation in the State.

But is that fair? Is that good for the country?

Indeed not. But since "the love of money is the root of all evil," as St. Paul wrote—1 Timothy VI: 10—fairness is not warmly received.

Consequently, American business is burdened with conflicting, chaotic, and multiple taxation by the States. It is time for Congress to act.

Congress has invoked the commerce clause of the Constitution to enact laws in the areas of crime, welfare, and civil rights. Now it invokes the commerce clause to foster the interstate flow of goods.

For we are once again confronted with the problem that led to the calling of the Constitutional Convention of 1787, the imposition of State taxes on out-of-State businesses. Our forefathers recognized how mischievous this problem could be. They realized that a national common market was the necessary predicate of national prosperity.

I stand before this House today to reaffirm the constitutional principle of the American common market. That principle has served us well. We are the richest Nation on this earth. That principle merits the continued support of every Member of this House.

No one can deny that State taxation of interstate commerce is a definite problem. No one can deny the right and the duty of Congress to remedy this problem. Yet the States have voiced two practical objections to this legislation.

The first is loss of revenue. This objection is without merit. The record shows that the States, at present, are not collecting taxes from businesses which are not located in the taxing State. The Special Subcommittee on Interstate Taxation found that there was 97.5 percent noncompliance in the income tax area and 93.5 percent noncompliance in the sales and use tax area—volume 1 at 303, and volume 3 at 729.

That is a despicable situation. Impossible laws breed disrespect for law at a time when respect for law is essential to our national well-being. Impossible laws allow tax commissioners to exercise wide discretion to discriminate and to harass businesses with impunity. Impossible laws jeopardize the very existence of small businesses. For in most States, there is no statute of limitations on tax liability. Thus every year, the small businesses—many of whom do not realize that they are liable—get deeper and deeper in debt.

The second objection is that the bill favors interstate business over local business. This is not true. There are no tax havens in this country, and none are

created by this legislation. The bill operates not to favor interstate business by making it tax free but rather to promote uniformity and efficiency in the collection of State taxes.

To those who worry about their local industry, let me say again that the out-of-State competition is not complying with the local tax laws because, realistically, they are impossible to enforce. Thus, by establishing that interstate business need no longer do the impossible, the bill does not tip the balance against local industry.

Moreover, there is a provision in the bill—often overlooked—that would extend State sales-and-use-tax jurisdiction to areas now off limits to tax collectors.

In *Miller Bros. Co. v. Maryland*, 347 U.S. 340 (1954), the Supreme Court ruled that a State could not require an out-of-State business to collect sales and use taxes for the State even if the business regularly delivered products in its own vehicles across State lines to consumers within the State.

Section 101(2) of the bill changes that result. A State would be permitted to require the out-of-State business to collect the sales and use tax if it "regularly makes household deliveries in the State." This would not only fill State coffers but would also protect local retailers who now suffer from unencumbered competition from across-the-border businessmen.

Local businessmen in border areas have been seriously disadvantaged by the Miller Bros. rule. We change that. H.R. 2158 would permit businessmen on both sides of a border to compete according to the same rules.

Hence, it is evident that the two objections are groundless. The bill does not rob States of their revenue, nor does it discriminate against local business.

In summary, the bill lays down a golden rule. It strikes a balance by invoking commonsense in an area of confusing, chaotic, and complex tax laws.

But beyond that, on a higher level, this bill says much for the integrity of the lawmaking process. In the 13th century, the philosopher Thomas Aquinas, discussing the nature of law, wrote that a law that is impossible to obey is not really a law at all.

Certainly, the maze of State tax laws are impossible to obey. There are thousands of small businesses that employ fewer than five people yet market their products nationally.

How is it possible for such a business to comply with the 38 corporate income tax laws, the 38 sales and use tax laws, the 37 capital stock tax laws, and the eight gross receipts tax laws, all imposed by the States?

Moreover, how is it possible for such a business to comply with over 2,300 sales and use tax laws, over 1,000 gross receipts tax laws, and over 100 corporate income tax laws which are imposed at the local level?

Certainly, in exercising our constitutional duty to promote the free flow of interstate commerce, we as lawmakers must fashion a rule that is possible to obey, a rule that will command the respect of the business community, a rule

that it could be the pending business, and that it could be taken up immediately after the prayer and disposition of the Journal in the morning.

Mr. HART. Indeed, yes. And I am grateful to the leadership and to the Senator from Arkansas for their cooperation.

Mr. MANSFIELD. Mr. President, the order has been entered that the Senate stand in recess, after the completion of business today, until 10 o'clock tomorrow morning. There will be no morning hour. The time will start running immediately after the prayer and the disposition of the Journal.

The PRESIDING OFFICER. The Senator is correct.

Mr. MANSFIELD. Mr. President, there will be no further votes tonight. However, it is the intention, I understand, of the distinguished chairman of the Committee on Banking and Currency, and the chairman of the subcommittee, the Senator from Wisconsin [Mr. PROXMIRE], and the ranking minority member [Mr. BENNETT] to bring up the conference report on the truth-in-lending bill.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. Time will have to be yielded to the Senator.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that for the remainder of the day time control be waived.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE MEETINGS DURING SENATE SESSION TOMORROW

Mr. MANSFIELD. Mr. President, after clearing with the other side and interested parties, I ask unanimous consent that two particular committees be permitted to meet during the session of the Senate tomorrow:

The Committee on Public Works and the Permanent Subcommittee on Investigations of the Committee on Government Operations.

Mr. BRUSKA. Mr. President, I wish to ask the Senator if that request is on the basis that out-of-town witnesses will be present for these hearings and that it is only on that basis that the request is made?

Mr. MANSFIELD. The Senator is correct. The witnesses will come from far away and otherwise would be very much inconvenienced.

The PRESIDING OFFICER. Without objection, it is so ordered.

CONSUMER CREDIT PROTECTION ACT—CONFERENCE REPORT

Mr. SPARKMAN. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 5) to assist in the

promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

The assistant legislative clerk read the report.

(For conference report, see House proceedings of May 20, 1968, pp. H3947-H3954, CONGRESSIONAL RECORD.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. SPARKMAN. Mr. President, the chairman of the subcommittee that handled this matter, the Senator from Wisconsin [Mr. PROXMIRE] was very active in the conference. I ask that he now present this matter.

Mr. PROXMIRE. Mr. President, it is with great pleasure that I present to the Senate today the truth-in-lending bill, S. 5. Since the truth-in-lending bill was first introduced by former Senator Douglas in 1960, over 8 years ago, it has aroused much controversy and debate. However, the bill which we have recommended to the Senate is a fair bill, a workable bill, and above all a bill which provides the consumer with the protection they need in today's economy.

The enactment of truth in lending will be a great tribute to the original sponsor of the bill and our beloved former colleague, Senator Paul Douglas, of Illinois. It was only through his determined leadership and perseverance that the bill is now before us today. He continued the struggle where men of lesser stature would have long given up. I know that all of us in the Senate will join with me in wishing our former colleague well in his present work with the President's Commission on Urban Problems.

Mr. President, the truth-in-lending bill now before us was first introduced by me on January 11, 1967. After hearings before the Banking and Currency Committee, the Senate enacted the bill on July 11 by a vote of 92 to 0. The House of Representatives passed a strengthened and considerably more comprehensive measure on February 1, 1968. After six meetings a conference committee appointed to resolve the differences between the House bill and the Senate bill reached final agreement on Tuesday, May 14.

Before explaining the detailed differences between the House bill and the Senate bill and the resulting decisions of the conference committee, I believe a few words would be in order concerning the basic approach of the Senate bill and the House bill. Ever since former Senator Douglas introduced the bill in 1960, the basic thrust of truth in lending was disclosure. The bill was not a regulatory bill; it did not attempt to regulate interest rates or other credit practices. It did not attempt to alter or amend the pattern of legal rights and remedies afforded consumers and creditors under State law. The simple aim of the bill was to disclose to consumers the full cost of credit

both in dollars and cents and in the terms of an annual percentage rate.

The disclosure of the annual percentage rate has been the central point of the 8-year controversy on truth in lending. Senator Douglas could have gotten a truth-in-lending bill much earlier had he been willing to discard the requirement to disclose the annual percentage rate. On this issue he rightfully would not and did not compromise. Although it is important for consumers to know the total dollar cost of credit, it is also extremely important to know the annual percentage rate being charged for the credit. The annual rate provides consumers with a simple yardstick for comparing the cost of credit plans from many different sources. It permits consumers to measure the relative cost of each plan and to shop effectively for the best credit buy. By focusing attention on the rate being charged, the bill also promotes price competition among creditors and will hopefully lead to lower interest charges. Rate disclosure will also make the average consumer more aware of the true cost of credit and will encourage a more judicious use of credit.

The bill passed by the Senate last July required annual rate disclosure for at least 95 percent of the consumer credit industry. It is true that we were not able to extend this principle to conventional, short-term revolving credit plans. However, safeguards were included in the Senate bill which would have prevented creditors converting from installment type credit to revolving type credit merely to escape the annual rate disclosure requirement. Nonetheless, I think it is fair to say that the compromise reached by the Senate Banking and Currency Committee satisfied no one. Many of us felt that all revolving credit plans should be required to disclose the annual percentage rate. This principle was reflected in the original bill which I introduced on January 11 of 1967. Others felt that all revolving credit plans should be exempt from disclosing the annual rate regardless of whether they offered long-term or short-term credit. In fact many in the committee felt the requirement to disclose an annual rate was inherently unworkable and should not be required of any creditor.

Considering the strong differences of opinion which existed on the Senate Banking Committee, I believe we passed the strongest possible disclosure measure. And, as I indicated, it did require the annual rate disclosure requirement to upward of 95 percent of the credit industry. It was this very issue which had delayed progress on the bill for 7 long years. Thus, the Senate bill embodied the essential principle of the original Douglas bill concerning the importance of annual rate disclosure. Senator Douglas himself indicated in testifying on the bill before the House Banking and Currency Committee:

I am, of course, tremendously pleased that the Senate passed a relatively good Truth-in-lending bill on July 11, 1967 by the surprising vote of 92 to 0. It may have marked the beginning of the end of a long, long struggle and it was a great victory for Senator Proxmire and his supporters.

The House was able to build upon the achievements of the Senate bill. The strong and prolonged opposition to annual rate disclosure, at least for 95 percent of the credit industry, had virtually collapsed by the time of the House hearings. Moreover, virtually the entire credit industry united to oppose the revolving credit exemption from annual rate disclosure.

As a result of these factors, the House was able to pass a strong disclosure measure and remove some of the exemptions contained in the Senate bill which were necessary to produce agreement on the Senate Banking and Currency Committee. Most of these strengthened measures were agreed to by the conference committee. Thus, in the final analysis the disclosure aspects of the truth-in-lending bill are quite similar to the requirements included in the original bill which I introduced on January 11, 1967.

In addition to strengthening the disclosure provisions, however, the House bill went considerably beyond disclosure. For example, the House bill covers credit advertising, wage garnishments, legal remedies concerning second mortgages and restrictions on loan sharking. In addition, the House bill establishes a National Commission on Consumer Finance to determine whether additional Federal legislation in the consumer area is desirable. All these provisions were also agreed to by the conference committee, with certain modifications.

Since the House bill went beyond the disclosure provisions of the Senate bill, the conference committee agreed to change the short title of the entire bill to the Consumer Credit Protection Act. However, title I of the bill, dealing with disclosure would be known as the Truth in Lending Act.

In referring to the bill today, I shall continue to use the title "Truth in Lending" to apply to the entire bill since that has been its popular title over the last 8 years and has long been associated with its originator, Paul Douglas.

Mr. President, I would now like to outline in some detail the principle differences between the House bill and the Senate bill and the recommendations of the conference committee.

REVOLVING CREDIT

The Senate bill required that on most forms of revolving credit, creditors would disclose the periodic or monthly rate of interest. However, in order to prevent potential abuse the Senate bill included a requirement that revolving credit plans would disclose the annual rate if they approached the characteristics of installment type credit. Installment open end credit plans were defined as credit plans on which any one of the following three characteristics were present:

First. Less than 60 percent of the indebtedness was payable in 1 year; or

Second. The creditor maintained a security interest in the merchandise sold on credit; or

Third. Advance payments reduced the amount of future payments.

The House bill eliminated the distinction between ordinary open end credit plans and installment open end credit

plans and required that all open end credit plans disclose the annual percentage rate. This decision was arrived at in an amendment introduced on the floor of the House during consideration of the bill. The bill reported out of the House Banking and Currency Committee included a similar exemption contained in the Senate bill.

The conference committee has recommended that both the periodic or monthly rate and the annual percentage rate be disclosed. Under this approach, creditors with revolving credit plans would disclose to their customers that in the typical case they are charging for credit at the rate of 1½ percent a month or 18 percent per year.

In addition to the annual percentage rate, creditors are given specific permission—at their option—to disclose and advertise the effective yield which they earn on all of their accounts for a representative period of time. Since the effective yield would measure the amount of credit extended from the time of each purchase, it would, in effect, count the customary 30 to 60 days free-ride which most customers receive on revolving credit plans. In many cases, this can result in effective yields of less than 18 percent per year.

The legislation also requires that the Federal Reserve Board issue rules and regulations concerning the computation and disclosure and advertisement of the effective yield. This is to insure that customers have a clear idea of the differences in the two rates which are disclosed by the creditor. The creditor would be required to include a definition of the effective yield and the assumptions upon which it is based.

I believe the report of the conference committee represents an effective and realistic solution to the knotty problem of revolving credit. It recognizes the importance of annual rate disclosure on all forms of revolving credit plans. In so doing, no single segment of the credit industry would gain an undue competitive advantage over other segments of the industry. At the same time, it permits creditors to disclose the effective yield which they earn on their accounts. This option should be of particular benefit to those creditors using an adjusted balance method billing system which results in a lower dollar charge to consumers. Stores using the adjusted balance method base their charges on the opening balance less any payments received during the month. Stores using the opening balance system base their charge on the opening balance and do not give credit for partial payments made during the month. Thus, even though both stores charge 1½ percent a month or 18 percent a year the dollar cost of the service charge can be substantially higher for the opening balance system. To some extent these differences can be reflected by comparing the effective yield earned by creditors on their revolving credit accounts. The stores using the adjusted balance method will be able to quote and disclose a lower effective yield. Should this be done, I am hopeful that the forces of the marketplace will induce the opening balance system creditors to convert to the adjusted balance method. This

could save the American consumer millions of dollars a year in lower service charges.

I believe the recommended compromise is an improvement both over the Senate bill and the House bill. It provides the consumer with more accurate and timely information. It is fair to all segments of the credit industry and it could lead to substantially lower service charges by promoting effective competition between the various billing systems. Thus, the compromise reached was not a compromise between more consumer protection and less consumer protection. Instead it was a solution which improves upon the work of both Houses.

WAGE GARNISHMENT

The second most controversial issue between the two bills was the subject of wage garnishment. Since the Senate bill followed the disclosure approach, it did not include provisions restricting wage garnishments. The House bill on the other hand contained a provision which prevented creditors from garnishing more than 10 percent of a person's weekly salary in excess of \$30. These provisions were patterned after the law of the State of New York.

The wage garnishment provisions raised new and substantially different issues. The Senate truth-in-lending bill was limited to disclosure and included disclosure requirements which simply did not exist under most State laws, although a few States within the last year or two have passed truth-in-lending legislation patterned after the Douglas bill. However, all 50 States had some restrictions on wage garnishment, although in many the restrictions are woefully inadequate.

In any event, a serious doubt existed in the minds of some of the Senate conferees concerning the desirability of Federal legislation in this area. Federal restrictions on wage garnishments would preempt the laws of many States. It is also true, however, that many States have failed to provide consumers with the protection needed in today's complex credit economy. For example, hearings recently held by my subcommittee of the Senate Banking Committee on credit practices in the District of Columbia have clearly shown that the easy credit merchants who prey upon the poor are abusing the garnishment system. The ability to garnish a person's wages is an open invitation to the easy credit merchant. It makes it possible for him to deliberately overextend credit to low-income consumers who cannot really afford to go deeper into debt. However, as long as these easy credit merchants can rely upon the garnishment laws to get their money back, they will have a continuing incentive to overextend credit. In effect, the courts are acting as a legalized collection agency on behalf of the easy credit merchants, the cost of which is automatically paid by the poor who are least able to afford it. For these reasons, I favored the House provisions restricting wage garnishment despite the legitimate and sincere arguments raised against these provisions in favor of State responsibility.

As a compromise, the conference committee has agreed upon a provision which would restrict wage garnishments to not more than 25 percent of a person's net salary after taxes. In all cases, however, a sum equal to 30 times the Federal minimum wage, or \$48, would be completely exempt from wage garnishment. This would insure that the lowest income consumers would not be subject to wage garnishment. Since the \$48 floor would be tied to the Federal minimum wage, it would gradually increase over time as the minimum wage was increased. In this respect the recommended compromise is more liberal than the House bill for the lowest income consumers. Under the House bill anyone earning more than \$30 would be subject to wage garnishment. Under the conference committee compromise, wage earners with an after tax income of \$48 or a before tax income of approximately \$54 would be free from garnishment. Thus, the floor below which garnishment is prohibited was nearly doubled compared to the House bill.

The conference committee report also included a provision which permits the Secretary of Labor, who would administer the garnishment provisions, to exempt any State from the Federal garnishment provisions if the State enacts substantially similar restrictions on wage garnishments. In addition, the effective date of the garnishment provisions was delayed to July 1 of 1970. The purpose of these provisions, recommended by the Senate Conferees, was to give every State an adequate opportunity to avoid Federal regulation by enacting substantially similar legislation.

In effect the Federal Government has set minimum standards. The provision has not automatically preempted the State's authority to legislate on the subject. I believe the compromise is in the best traditions of American federalism and will lead to more effective Federal-State relationships.

SECOND MORTGAGES

Congressman CAHILL, of New Jersey, had a floor amendment to the House bill which included additional safeguards in the second mortgage area. The amendment included the following provisions:

First. The disclosure requirements would be extended to those who arrange for credit such as mortgage brokers;

Second. A creditor would be required to describe any security interest in real property—such as a second mortgage—arising from the credit transaction;

Third. Consumers legal rights would be strengthened with respect to third parties purchasing residential mortgages;

Fourth. Disclosures pursuant to mortgage transactions would have to be made 3 days prior to consummating the transaction.

The conference bill approves this amendment with the exception that the 3-day waiting period was converted into a 3-day rescission period. Disclosure could be made on the same day the transaction was completed; however, consumers would have the right to rescind the contract within a 3-day period following the close of the credit transaction. In addition, the 3-day provisions would not apply on ordinary home purchase trans-

actions, but would cover loans or credit secured by mortgages on property already owned.

FIRST MORTGAGES

The Senate bill exempted all first mortgage transactions from the disclosure requirements of the bill. This was done on the grounds that very few abuses existed in the field of first mortgages and that most lenders extending first mortgage credit already disclosed the true annual rate of interest charged for such credit. The House bill eliminated the exemption for first mortgages and extended the same disclosure requirements to first mortgage lenders as were required of all other creditors. The compromise reached by the conference committee was to include first mortgages under the bill, but to exempt such creditors from listing the total dollar cost of interest payments over the life of the mortgage. Since virtually all mortgage lenders already disclose the annual percentage rate, the truth-in-lending provision should have minimal effect on the mortgage industry. The bill would, however, require that points or discounts would have to be counted in computing the annual percentage rate. The annual rate disclosed would in some cases be higher than the contract rate of interest included on the face of the mortgage. This is because the definition of finance charge under both bills is substantially more comprehensive than the traditional definition and includes all charges incident to the extension of credit, including interest.

EXEMPTION FOR SMALL CREDIT TRANSACTIONS

The Senate bill exempted creditors from disclosing the annual percentage rate whenever the finance charge is less than \$10. This provision was included primarily to alleviate the computation burden which would be placed on small business creditors engaged in small scale credit transactions. The House bill eliminated this exemption and required annual rate disclosure on all credit transactions regardless of size. Under the agreement reached by the conference committee, creditors would be exempt from disclosing the annual percentage rate if, first, the total amount of credit is less than \$75 and the total finance charges less than \$5; or, second, the total amount of credit is more than \$75 and the total finance charges less than \$7.50.

In recommending this limited exemption, it is expected that the Commission on Consumer Finance, established by this legislation, would conduct a study to determine the precise impact of this provision and to report their findings to Congress.

MINIMUM CHARGES ON REVOLVING CREDIT

The House bill required creditors to annualize minimum or fixed charges on revolving credit plans and to disclose such a rate on the monthly bill. For example, if a creditor charged 1½ percent a month on the opening balance, subject to a minimum charge of \$1; and if the opening balance were \$50, the minimum service would apply since 1½ percent times \$50 would be less than the minimum. In such cases, the creditor would be required to disclose an annual rate equal to \$1 divided by \$50, or 2 percent a month, or 24 percent a year.

The conference bill permits a creditor to disclose a nominal annual rate equal to 12 times the creditor's normal monthly rate, provided the total finance charge for that month does not exceed 50 cents. If the finance charge exceeds 50 cents, the creditor would be required to compute the annual rate by dividing the finance charge by the credit balance and expressing such rate as an annual rate.

The effect of the conference provision is to permit creditors to disclose a nominal annual percentage rate equal to 12 times the monthly rate on all monthly statements, as long as minimum or fixed charges authorized by State law did not exceed 50 cents. If State law permitted minimum charges in excess of 50 cents and if the creditor applied such minimum charges, he would be required to annualize such charges and to disclose the resulting rate on each monthly statement. In these cases, the annual rate would vary from statement to statement and could be substantially in excess of the normal rate of 18 percent per year.

In recommending this provision it should be made abundantly clear that the intent of the conference committee is not to authorize or otherwise approve or lend support to the establishment of minimum or fixed charges on revolving credit plans. Nothing in the legislation should be construed to authorize the charging of minimum or fixed charges where such charges are not otherwise authorized by law. Nor should it be inferred that Federal policy supports or approves the establishment of minimum charges.

INSURANCE

The Senate bill specifically exempted premiums for credit life, casualty and liability insurance from being counted in computing the annual percentage rate. This provision was deleted by the House bill, which required that all mandatory charges be counted in computing the annual rate. The conference bill requires that, first, premiums for credit life insurance be included in the rate unless the creditor clearly discloses that such insurance is optional and is not required to obtain the credit; and, second, premiums for property and liability insurance would not be counted in computing the annual rate unless the creditor required that such insurance be purchased from him either directly or indirectly.

DOLLARS PER HUNDRED OPTION

The Senate bill permitted until January 1, 1972, that creditors could express the annual percentage rate in terms of dollars per hundred per year on the declining balance of the obligation. This option was not included in the House bill. The conference bill retains the option until January 1, 1971. To give an example of how this provision would work, let us assume a creditor loaned a person \$100 and required that \$106 be repaid in 12 equal monthly installments. Under the computations procedures described in the bill, the annual percentage rate would come to 10.90 percent. The creditor would have the option of disclosing this as 10.90 percent or \$10.90 per hundred per year. In other words, the same number would be expressed in slightly different form. However, this option would expire on January 1, 1971,

after which the percentage form of disclosure would be mandatory in all cases.

The purpose of this option is to avoid possible litigation in those States where the disclosure in percentage form might cause a legal problem. By 1971, however, it was felt that all States would have had an opportunity to correct any legal problems which may exist.

MONTHLY DISCLOSURE ON INSTALLMENT CONTRACTS

The House bill required creditors using monthly statements on installment credit plans to disclose the same information on these statements as is required of revolving credit plans. This information includes the opening and closing balance, the finance charge, and the annual percentage rate.

The bill reported by the conference committee retains this provision in modified form. Instead of requiring creditors with installment type credit plans to disclose on a monthly basis all of the information required of revolving credit plans, the conference report would require the annual percentage rate to be disclosed and the date by which or the period within which payments must be made to avoid an additional finance charge. In addition, the Federal Reserve Board is given the authority to prescribe additional disclosure requirements for those types of installment credit plans approximating the characteristics of revolving credit. The purpose of this is to remove any inducements for creditors to convert from revolving credit to installment credit to escape the monthly disclosures required under revolving credit.

SALES UNDER ADD-ON INSTALLMENT CONTRACTS

The House bill permits creditors selling under add-on installment sales plans to disclose the required information on the first monthly statement rather than at the time of the transaction provided that, first, the creditor does not maintain a security interest; and second, the customer has agreed to the annual percentage rate to be charged in advance. This provision was included in the conference report.

CREDIT ADVERTISING

The House bill included a provision requiring full disclosure on credit advertising. Under the Senate bill disclosure was limited to the time of the credit transaction.

The House provision required that if a creditor advertises certain terms, he must advertise all the relevant terms of his credit plan. For example, if an installment creditor advertises the amount of the downpayment or the amount of any installment payment or the dollar amount of any finance charge or the number of installment payments, he must also advertise the total cash price of the merchandise or amount of the loan, the downpayment, the number of payments, and the amount of each payment and the total finance charge. If any rate is advertised, it must be the annual percentage rate as defined in the bill.

Bait and switch-type advertising would also be prevented. Creditors could not advertise specific credit terms unless they usually and customarily arranged for such credit under the terms advertised.

The provisions for credit advertising were based on the bill originally introduced by Senator Magnuson, who has been an outstanding champion of consumer protection legislation in the Senate. I am delighted that the Senate conferees have accepted virtually intact the credit advertising provisions recommended by the House. These provisions will not only protect consumers, they will also give protection to the honest businessmen against unscrupulous or unfair competition based upon deceptive or tricky advertising.

ADMINISTRATIVE ENFORCEMENT

Under the terms of the Senate bill, enforcement would have been brought about by the courts through provisions for civil penalties. Creditors violating the act would be subject to a penalty equal to twice the amount of the finance charge with a minimum of \$100 and a maximum of \$1,000. These provisions were agreed to by the House of Representatives. In addition, the House added a system of administrative enforcement. Under the House provisions, the Federal Reserve Board would promulgate rules and regulations applicable to all segments of the credit industry. However, specific enforcement responsibility of the requirements imposed by law and by the Federal Reserve Board's regulations would be allocated to those Federal agencies with specific supervisory responsibilities over separate segments of the credit industry. For example, compliance by national banks would be enforced by the Comptroller of the Currency, or State nonmember banks by the Federal Deposit Insurance Corporation and State member banks by the Federal Reserve Board. The Federal Home Loan Bank Board would enforce compliance on the part of savings and loan associations. The Federal Trade Commission would have residual jurisdiction over all other segments of the credit industry not specifically enumerated in the enforcement provisions.

These provisions were adopted in the conference report.

COMMISSION ON CONSUMER FINANCE

The House bill established a nine-member commission to study the structure and workings of the consumer finance industry and to determine if additional Federal regulation is needed, including the desirability of Federal charters for consumer finance companies. This provision was agreed to by the conference committee. The life of the commission was extended from March 31, 1970 to March 31, 1971.

LOAN SHARKING

The House bill was amended on the floor of the House to include a provision dealing with loan sharking. This provision would make it a Federal felony to extend credit with the understanding that criminal means would be used to enforce the obligation to repay. The penalty for entering into an extortionate extension of credit includes a fine of \$10,000 or a prison term of 20 years or both. An extortionate extension of credit is defined as one in which it is the understanding of the creditor and the debtor that delay in making repayment or fail-

ure to make repayment could result in the use of violence or other criminal means to collect the debt.

In order to provide the Department of Justice with the means for enforcing this provision, the House provision set up a prima facie rule of evidence that any extension of credit is extortionate if all of the following factors are present:

First. The debt is legally uncollectable under State law;

Second. The annual rate charged for the debt exceeds 45 percent per year;

Third. The debt exceeds \$100;

Fourth. The debtor reasonably believed that either, first, the creditor resorted to extortionate methods on one or more occasions, or second, the creditor had a general reputation for using extortionate methods to enforce repayments.

Once again these provisions raised serious questions of Federal-State responsibilities. Nonetheless, because of the importance of the problem, the Senate conferees agreed to the House provision. Organized crime operates on a national scale. One of the principal sources of revenue of organized crime comes from loan sharking. If we are to win the battle against organized crime we must strike at their source of revenue and give the Justice Department additional tools to deal with the problem. The problem simply cannot be solved by the States alone. We must bring into play the full resources of the Federal Government.

EFFECTIVE DATE

The disclosure provisions of the Senate bill were effective on July 1, 1969. Under the House bill, the disclosure and advertising provisions were effective in 9 months following enactment. All other provisions were effective immediately. Under the conference bill, the disclosure provisions are effective on July 1, 1969, the garnishment provisions are effective on July 1, 1970, and all other provisions effective immediately.

Mr. President, it has taken 8 long years to get this legislation through the Congress. Like all worthwhile reform measures it takes a number of years to mobilize support. However, in enacting the truth-in-lending bill I believe we have achieved a victory not only for the consumer but for the average businessman as well. The bill permits consumers to shop effectively for the best credit buy; it also protects businessmen against unfair and deceptive competition.

It is somewhat hazardous to list all of those who have played an important part in passing this important legislation. So many people have made an important contribution that to list them all would run to many pages of the CONGRESSIONAL RECORD. Nonetheless, I believe a few outstanding names must be mentioned.

First of all, Mrs. LEONOR SULLIVAN, of Missouri, must be given a tremendous amount of credit for her leadership on the House side. Many of the additional provisions in the bill, including those on credit advertising and wage garnishments were included in the bill introduced by Mrs. SULLIVAN. In addition she led the fight to improve and strengthen

the disclosure provisions of the Senate bill. More than any other person, she is responsible for the strong and effective bill which emerged from the House of Representatives.

Much of the credit for passing a strong truth-in-lending bill must also be given to Congressman WRIGHT PATMAN, the chairman of the House Banking and Currency Committee. Throughout the years, Congressman PATMAN has proven that he is a champion of consumer causes. He continued to demonstrate his concern for consumers by working along with Mrs. SULLIVAN for an effective measure.

We must also recognize the constructive and able role played by Senator JOHN SPARKMAN, the chairman of the Senate Banking and Currency Committee and Senator WALLACE BENNETT, the ranking Republican member from the State of Utah. Senator BENNETT has always endorsed the main principle of truth in lending and has worked diligently to insure that the final bill is both workable and fair. Senator BENNETT did a marvelous job in committee on the floor and in the conference committee. I might add that it was only through Senator SPARKMAN's skillful leadership that we were able to reconcile the diverse and sometimes conflicting viewpoints and to develop an effective and workable bill. Other Senators, of course, played a most important role. The Senator from Maine [Mr. MUSKIE] demonstrated his great brilliance, grasp, and understanding of this most complicated revolving credit issue and was most helpful in permitting us to resolve our differences.

During the 8 long years of struggle, many groups have helped to develop support for truth in lending. I want to express my particular gratitude to the Credit Union movement which from the beginning championed the truth-in-lending bill. The same is true of the National Association of Mutual Savings Banks. Through the years the AFL-CIO has given much time and effort to the cause. I hope I will not offend any of my friends in the labor movement by expressing my particular admiration and gratitude to the International Ladies Garment Workers Union and its indefatigable legislative representative, Evelyn DuBrow. Another persistent and tireless worker for the cause was Mrs. Sarah H. Newman, general secretary, National Consumers League.

A number of members of the academic community also made outstanding contributions. The earliest and most consistent support throughout the years has been from Richard L. D. Morris of Kansas State University. Dick Morris was making speeches on truth in lending even before Senator DOUGLAS introduced the first truth-in-lending bill. Through the years he supplied the sponsors of truth in lending with a continuing stream of material and encouragement.

Another outstanding contribution came from Father Robert J. McEwen, chairman of the Department of Economics, Boston College. Father McEwen has long been a champion of consumer causes and was most instrumental in securing the enactment of the Massachusetts truth-in-lending law which was a forerunner to the Federal bill.

As is the case with much reform legislation, truth in lending was initially opposed by the industry affected, that is the credit industry. To take one historical example, the chairman of the New York Stock Exchange solemnly predicted that as a result of the Securities Exchange Act of 1933 the securities industry would collapse and that grass would grow on Wall Street. Just the opposite has occurred. The Securities Act has maintained and increased public confidence in the securities industry and has made it much stronger as a result.

I believe the same will hold true of the truth-in-lending legislation. The State of Massachusetts has demonstrated that the full disclosure of credit charges is both reasonable and workable. Testimony from Massachusetts businessmen before both the Senate and the House banking committees clearly demonstrates that the Massachusetts truth-in-lending law has been an outstanding success. I believe the same will hold true for the Federal truth-in-lending bill.

In the final analysis the bill was based upon the fundamental premise that consumers have a right to know the facts. It is only through free and full disclosure that our competitive free enterprise system can be made to function effectively. The truth-in-lending bill should not be thought of as proconsumer or antibusiness. Instead, it is profree enterprise. By informing consumers, it increases public confidence, enhances competition, and improves credit practices.

I hope that the entire Senate will agree with me that in taking the final step in the legislative process to enact the truth-in-lending bill, we will bring to reality the long-held dream of Paul H. Douglas.

Mr. BENNETT. Mr. President, as the minority Member who has been working on the bill for 8 years, may I express a sense of relief that the Senate and Congress has come to the point that it can at least put out a bill which will make a start on this problem.

The bill is a compromise. I think it is still full of rather serious problems, because many of the ideas it contains are theoretical rather than practical. We will not know until after we have gone through the experience of trying to live with the bill, whether any additional changes will be needed.

We have passed on to the Federal Reserve Board the responsibility for writing regulations. The bill does not go into effect for another year, so that they will have time to study it.

I think there are some problems in the garnishment section. At the moment, I do not know exactly what the amount exempt from garnishment will be. For the first time in my experience as a conferee, the staff discovered a situation, after the conference had been agreed to, that one part of the provision is probably impractical. But the conference had been agreed to, and we could not go back and correct it.

I think there may be some other things in the bill that are similarly difficult so that I believe before we get what we would consider to be a practical bill, there must be some further amendments to it.

I also feel that I should say to the Senate that the bill is not going to solve the

credit problems of the poor. Their problems grow out of their lack of understanding of credit, and because of that, their misuse or by misusing it, they occasionally give men in business an opportunity to exploit them. The bill will not wipe out all of those opportunities. But, we have made a start. That is important.

We have built a framework and as we try to live with it, we may discover that we have made some mistakes.

So, from that point of view, as I say, I am happy that the bill has been passed. I do not agree with all of the decisions made by the conference, but I signed it because I felt that to do otherwise would tag me as being opposed to supplying information to creditors about the cost of their credit.

I certainly recommend to the Senate that it approve the conference report, for the same reasons that I approved it; but I am sure there may be some in the group who have the same reservations.

I appreciate the kind things that the Senator from Wisconsin [Mr. PROXMIRE] said about my contribution to the bill over the years. I think his own contribution should not go unnoticed.

When Senator Douglas left this body, Senator PROXMIRE picked up his responsibilities, and through the last 2 years I have been working with Senator PROXMIRE as chairman of the subcommittee. That relationship has been a very happy one for me. We have not always agreed on what we thought the bill should contain, but we have respected each other's point of view and we have been able peaceably to work together in bringing this bill into being. He certainly shares whatever credit there may be, and deserves a great share, because he provided the leadership which finally, after nearly 8 years, brought a piece of legislation which, as I say, I think represents a start.

I again repeat, I hope the Senate will approve the report.

Mr. PERCY. Mr. President, I would be remiss if I did not also comment on the contribution to this bill of my predecessor, former Senator Paul Douglas, of Illinois. I stated when I came to the U.S. Senate that I would feel obligated to work on behalf of all those things which he was working on with which I agreed. That was a conditional commitment to myself, but I did find several areas in which I concurred in the work he was doing here.

It was, therefore, with a great sense of gratification that I took a place on the Committee on Banking and Currency of the Senate. One of the earliest pieces of legislation we worked on was truth in lending. I had there an opportunity to see a tremendously complicated concept unraveled by understanding compromises by our able and distinguished chairman of the committee, the Senator from Alabama [Mr. SPARKMAN].

I also saw, with a good deal of satisfaction, the minority side of the committee, under the leadership of the Senator from Utah [Mr. BENNETT] ably work toward a compromise which was acceptable and which carried unanimously not only through the committee but the Senate itself.

I have been particularly impressed with the tenacity of the distinguished

Senator from Wisconsin [Mr. PROXMIRE], who worked uphill most of the time. Jogging uphill as well as downhill is his avocation, and he carries on against the most difficult odds at times. I developed a tremendous appreciation for what he did in this field.

Also, I wish to mention a very valiant lady in the other body, Congresswoman LEONOR SULLIVAN, whom I have gotten to know through her interest in the concept of homeownership for low-income families. I have watched with admiration her fight to strengthen what I considered to be ready a strong truth-in-lending bill. I think we have as a result a piece of legislation that the Senate can accept with great confidence. The House has already, of course, approved it earlier this afternoon.

I would like to comment particularly on the section that the Senator from Wisconsin [Mr. PROXMIRE] earlier mentioned.

Title II of the conference report contains a very important and new provision of law to assist in the war on organized crime. It is entitled "Extortionate Credit Transactions," and it addresses itself to the growing business of organized crime known as loan sharking, or the "juice" racket.

The provision was proposed on the floor of the House by Congressman RICHARD POFF, of Virginia, an extremely able and distinguished minority member of the House Judiciary Committee. Congressman POFF is also chairman of the House Republican task force on crime, vice chairman of the Commission To Revise and Reform the Federal Criminal Laws, and a widely recognized expert on law enforcement and criminal administration. His ability and leadership are amply demonstrated in the perception and craftsmanship that have produced this excellent amendment to the truth-in-lending bill, and that have allowed the Congress to swiftly respond to a rapidly growing activity of the organized crime syndicates. The members of the task force are to be commended for this contribution to the achievements of the Congress in the fight against organized crime.

Mr. President, this is the first comprehensive attack on the interstate aspects of the insidious criminal activity. At an appropriate time, I will propose an amendment to include the crimes enumerated under title II of the conference report in the crimes for the detection of which an electronic surveillance order may be issued under title III of the omnibus crime control bill, now under consideration in this body. I would hope the President would sign this bill into law with all dispatch so that this provision to fully implement the new law may be made.

As the ranking minority member of the Subcommittee on Small Business of the Banking and Currency Committee, I have followed with great interest the hearings recently conducted by the Senate Select Committee on Small Business on the impact of loan sharking on small business. I was pleased to introduce the executive director of our Illinois Crime Commission, Mr. Charles Siragusa, to that committee last week. The testimony

he and his associates gave was on the victimization of the poor and less privileged inner-city residents by the loan shark racketeers. The distinguished chairman of that committee, the Senator from Florida [Mr. SMATHERS], is to be commended for his bringing this situation to the attention of the Senate and the public.

Mr. President, I hope that the pending conference report will be agreed to.

Mr. SPARKMAN. Mr. President, let me say I am grateful to all Senators who have made comments on this conference report and to all who have worked on it, and that includes the entire Senate Banking and Currency Committee.

I call attention to the fact that the bill was reported by the committee without a single dissenting vote, that it passed the Senate on a rollcall by unanimous vote, and now, in a few minutes, I hope, we shall be bringing it to a final conclusion by unanimous vote in the Senate. I think that is a remarkable record for a piece of highly controversial legislation as this started out to be.

I give great credit to the chairman of the subcommittee, Senator PROXMIRE, and to the ranking Republican member, Senator BENNETT, who worked so closely with us in trying to work out this bill. I also give credit to the Senator from Maine [Mr. MUSKIE], who was one of the early sponsors of this legislation and who proved himself to be quite constructive both in committee and in the conference.

I give credit to every single member of the Banking and Currency Committee for a wonderful job on a most difficult piece of legislation.

Mrs. LEONOR SULLIVAN and Congressman WRIGHT PATMAN of the House Banking and Currency Committee, are also to be given credit for championing the effective and comprehensive bill that passed the House of Representatives.

I am hopeful that, in the final analysis, the bill will prove to be of benefit to consumers and workable to the average businessman.

Mr. President, I am pleased to see at long last what may be final action on S. 5, the truth-in-lending bill, originally introduced by Senator PROXMIRE on January 11, 1967, which is now before us. The bill represents more than a year of work and hearings concerning credit cost disclosure. I refer only to this bill, to say nothing of the predecessor bill, which ran over a period of 6 years. While the bill does not satisfy all of the wishes of those who have played a part in the legislation, on balance I believe it represents a fair and workable bill that will provide consumers with substantially more information.

Different approaches were suggested regarding many problem areas covered by the bill. However, effective compromises were developed. An example is that of credit insurance. Many suggested that credit insurance premiums should be included as a part of the finance charge and in the calculations to determine the annual percentage rate. Others argued that the premiums were not part of the finance charge since the insurance was for the benefit of the con-

sumer. The committee agreed to a provision that is workable and fair.

When the creditor makes the required disclosures as to credit insurance and the prospective debtor acknowledges in writing that he is not required to purchase credit insurance, then the insurance premium is not part of the finance charge. However, if the debtor is required to purchase the insurance as a condition to the extension of credit, then the premium is to be included in computing the annual percentage rate.

Mr. President, mention has been made of the fact that the effective date of the bill is a little more than a year away, July 1, 1969. That date was selected purposely in the hope that by that time the States will have had an opportunity to act upon the recommendations for a uniform consumer credit code which is being developed by the Commission on Uniform State Laws. I believe the State legislatures should have an opportunity to give further study to this perplexing and distressing problem throughout the country, and to adopt their own laws. Should the States enact legislation substantially similar to the Federal bill, they can become exempt from the Federal law.

The garnishment measure does not become effective until July 1, 1970. Again, that is for the purpose of allowing States to restudy, if they desire to do so, their own garnishment laws to make sure that they are fair to the consumer as well as to the creditor.

I believe both those provisions are good.

I wish to say just a word about credit insurance. Credit insurance, which is treated in this conference report, can be beneficial to the consumer when the cost is fair and economical. Accordingly, it can be expected that many consumers will take advantage of credit insurance on this basis. While creditors must make it clear that credit insurance is not required, the fact that a given percentage of prospective debtors normally request credit life and accident and health insurance should not be construed to mean that such insurance is a factor in the approval or extension of credit. This must be determined on the basis of the facts in each individual case.

I believe that is the meaning of the conference report, and I think it should be clear. In other words, we are trying to protect the consumer from being forced to buy insurance, but at the same time we are trying to preserve to him the right to take it if he wants it, as a protection to his own position.

Mr. HART. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. HART. Mr. President, these rituals are sometimes suspect, because committee members who have labored long over difficult problems thus acknowledge to each other that the job is a good one.

I lingered here tonight because I would like to speak to the members of the committee for those who are not on the committee. While we do not know, in full detail, the agonies that went into what the committee now presents before the Senate, most of us who have been

sponsoring these bills over the years realize the enormity of the problem and the intensity of the pressures, and I am satisfied that what the committee has brought from the conference represents a magnificent achievement in consumer protection.

So I lingered tonight to thank all the members of the committee for what I think will be noted as one of the truly historic achievements of this and many Congresses.

Mr. SPARKMAN. Mr. President, those are most generous remarks of the distinguished Senator from Michigan, and I thank him on behalf of the entire committee.

TRUTH IN LENDING AND MORE

Mr. NELSON. Mr. President, many problems confront the consumer today. Everyone is exposed to unethical practice and high pressure selling; rising prices and escalating credit charges; inferior product quality and recurrent repair difficulties. And it is no doubt true, we all are concerned with being able to pay our bills and staying out of debt. Nevertheless, in our credit oriented economic system, few buyers can pay cash for everything they buy; not even the very wealthy. In fact, last year the consumer debt was about \$86 billion.

It is also true that for the wary and well to do, as well as the unsophisticated and economically despairing, present-day practices have made it difficult to make intelligent decisions about credit. Former Senator Paul Douglas was among the first to perceive the need for legislation to protect consumers from deceptive and misleading practices of lending institutions, merchants and others who extend credit. After careful investigation the Congress is now acting on this important matter. Senator WILLIAM PROXMIER should be applauded for guiding this measure through the Senate and for his outstanding achievement in regard to this vital legislation. The Senate-House conference committee has reported a measure that deserves both acceptance and applause. This proposal will go a long way toward curbing the abuses of consumer credit while imposing no hardship upon legitimate merchants.

The truth-in-lending bill does several things. It requires that lenders and retail creditors disclose the cost of credit offered to the customer. In this way the consumer can compare how much it will cost to do business with lending institution A as opposed to B.

Second, this bill requires the full disclosure of interest rates on all revolving charge accounts on both an annual and monthly basis. This means that the buyer will know the rate being charged by the store for a deferred payment plan.

In addition, this bill restricts the amount of money that can be garnished from a man's wages as well as imposing regulations upon credit life insurance and credit advertising. The truth-in-lending bill also makes it a Federal crime to extend credit with the understanding that criminal means will be used to enforce the obligation to repay. This provision is aimed at the loan shark business, which is infiltrated with criminals. "Juice money" as it is called in

the Midwest, has become a source of tremendous revenue for syndicated gangsters and this proposal is the first step toward cracking down on this racket.

While the truth-in-lending bill is a giant step forward, it is only the beginning. New imaginative programs must be initiated to further protect the consumer. To illustrate why I say this, let me give you some examples of consumer exploitation brought to my attention:

A housewife was contacted by a magazine subscription company. The saleslady led her to believe that by purchasing one magazine at a low weekly rate, she would receive three others at no extra cost. While there was no extra charge, the initial subscription price had been jacked up so that the cost of the supposed free magazines was hidden in the weekly charge. While you might say, let the buyer beware, I say the time has come to remove deception from the marketplace.

Another shocking example recently involved a woman on welfare payments. She had hardly enough money to pay the food bill let alone the extravagance of a stereo television console. In any event, the store sold her a television console on the following terms:

1. Cash sale price-----	\$711.60
2. No down payment-----	0
3. Balance (1 minus 2)-----	711.60
4. Credit service charge-----	198.78
5. Principal balance (3 plus 4) --	910.38
6. Charges for credit life insurance--	16.61
(If selected) F.F.-----	2.00
7. Charges for credit accident and sickness insurance-----	35.87
8. Time balance (5 plus 6 plus 7)-----	964.86
9. Previous time balance time sales price (2 plus 8)-----	964.86
Payable in 48 equal installments of \$27 and one final installment of \$9.86 starting on—and monthly thereafter.	

The total price, as you can easily determine, was over \$1,300. It was not long before this imprudent purchase could not be paid for. The store quickly repossessed the TV, pocketing the money already paid and taking the set back to resell it again. You might feel gyped if this had happened to you, but if you were an uneducated, frustrated, poor woman, what would you do?

These are not isolated examples. Whether it is a TV set or a refrigerator, magazine subscriptions, or aluminum siding, fast-talking, dishonest, and deceptive sales practices are bilking the American consumer.

But if your reaction is like so many I hear—that could not happen to me—let us explore another area which I think you will be able to appreciate a little.

I submit that warranties on consumer goods are becoming meaningless to the shopper, because many manufacturers are making promises that are not being honored. Some are even making pledges that cannot be fulfilled. In fact, you cannot mention this subject to anyone anywhere, without somebody saying, "Let me tell you what happened to me. That

warranty wasn't worth the paper it was printed on."

Many of the complaints I have heard have involved the failure of the product itself. But there are other problems, too: excessive labor costs; delay in service; and annoying trips back and forth for repeated repairs of the same product.

Thus one man told me about the power steering problem on his new car. He said, the steering worked fine until he tried to get into a tight parking spot.

He added:

You should have heard the screeching and squeaking.

Another complained that his power brakes worked well during the summer, but when it got below freezing, they did not work properly. Both these people brought their cars in to be fixed and after considerable aggravation, got them repaired. However, in both cases the warranty did not cover the costs. Both complained that their warrantee was useless, although they were led to believe upon buying the car that it would protect them against just such circumstances.

Another case, was that of the lawnmower. It did a great job of cutting down the dandelions, but could not cleanly cut a blade of grass.

Similarly, there was the snowplow, that only performed when there was no more than 2 inches of snow. Again upon returning these items, to the proper service dealer, they were eventually fixed. But there was one hitch; the snowplow was returned just in time for the first April shower and the lawnmower came back in tiptop shape to be stored for the winter.

Still another case involved a toaster, that had a mind of its own, popping up different degrees of burnt toast. It was fixed, and pleased everyone in the family; but within 6 weeks it was ready to be repaired again. Rather than go through the same amount of trouble and with the same possible results, they bought another toaster.

Isolated examples? Just think back a little; was it your refrigerator that would not defrost; your television set that could not pickup UHF stations clearly; your hot water heater that worked only when you did not want to take a bath; or was it your new steam dry iron that always burnt that new synthetic fabric? Whatever your experience, do you remember trying to get the product fixed, at no extra cost, as your warrantee seemed to suggest? Do you recall that you had to pay the mailing cost and the re-delivery fee; or if you did not have to mail the product back to the manufacturer but had to bring it to an authorized service dealer, the trouble and inconvenience you experienced in trying to find the proper serviceman? And what about the time you brought the broken item to the wrong service dealer only to find out that your warrantee was then worthless.

These are some of the problems that consumers have to face when they try to take advantage of their warrantee. What can be done to eliminate these and the other difficulties I have mentioned which confront the consumer?

Certainly legislation such as the truth-in-packaging law, enacted last year, and the present truth-in-lending bill now pending will go a long way toward curing some of the evils which I have already described. Hopefully, because of these new initiatives, chicanery and deception will disappear from the marketplace. But I am certain that this lofty principle will not be easily translated into reality. For consumer protection legislation to be effective, cooperation from the business community is necessary. Of course, consumers must do their part also.

In conclusion, I want to commend the joint House and Senate committee for their excellent work and achievement. I warmly endorse the truth-in-lending bill and feel confident that it will help a great deal.

However, I need not remind you that we can ill afford to become complacent in this area. These new laws are just the cornerstones—much work still remains to be done. This is a responsibility that I am sure we will not shirk, but rather will welcome.

Mr. SPARKMAN. Mr. President, I move the adoption of the conference report.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

The PRESIDING OFFICER. What is the will of the Senate?

NEW FDA COMMISSIONER MUST BE DEDICATED TO SERVING THE PUBLIC INTEREST

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent to have printed in the RECORD a statement by the distinguished junior Senator from New Mexico [Mr. MONTAÑA], who is unavoidably absent, and, accompanying his statement, an article entitled "The Tragedy of Thalidomide Babies: Preview of a New German Horror Trial," written by Leonard Gröss, and published in Look magazine for May 28, 1968.

There being no objection, the statement and article were ordered to be printed in the RECORD, as follows:

STATEMENT OF SENATOR MONTAÑA

An article which appeared in the May 26, 1968, issue of Look magazine entitled, "The Tragedy of Thalidomide Babies: Preview of a New German Horror Trial," tells the story of the criminal case which will begin in Germany on May 27 against nine employees of the firm which discovered and promoted the drug Thalidomide.

The charges against these men are: intent to do bodily harm; involuntary manslaughter.

These nine men were so eager to market Thalidomide, a sleep-inducing drug, that they failed to test it properly. They sold this drug in Germany and to licensees in 45 other countries with assurances that it was safe, though no such assurances existed. Thousands of people who took this drug suffered serious adverse effects to their nervous system. But these nine men made light of such reports, lied to doctors, and to public health authorities. When the reports became too numerous to ignore, the defendants did everything they could to suppress them, and used money to encourage the production of favorable reports.

This drug, advertised as safe even for pregnant women, "did finally cause the birth of 7,000 monster babies throughout the world, some of whom died, some of whom were killed and most of whom now live maimed lives."

Such a tragedy could happen again, and perhaps the next time the United States will not be spared. A key means of averting such mass suffering and waste of human lives is to have as Food and Drug Commissioner a man dedicated to serving the public interest, dedicated to the enforcement of the Food and Drug laws, dedicated to insuring that the drugs which reach our citizens are safe and effective.

Dr. James Goddard is such a man, and I read with regret in this morning's press of his resignation. It is essential that his successor in this highly sensitive position be a similarly outstanding individual who will carry on in the tradition of Dr. Goddard to protect the public against such occurrences as the Thalidomide tragedy. Dr. Herbert L. Ley, Director of FDA's Bureau of Medicine is such a man and has been recommended by Dr. Goddard as his successor. Winton Rankin, Deputy Commissioner of FDA is also of such caliber.

It is to be hoped that one of these two men—both with fine records of public service and concern—will be selected by the President for the leadership role at FDA.

Certainly, the new Commissioner should be understanding and appreciative of the role of drug manufacturers. But his primary obligation is to the people of the United States. In other words, we come first.

THE TRAGEDY OF THALIDOMIDE BABIES: PREVIEW OF A NEW GERMAN HORROR TRIAL

(By Leonard Goss)

Men forgive a blunder. They try to understand the crime of passion. But they judge remorselessly—perhaps to warn themselves—when one man's greed becomes another's poison. A monumental story with this as theme is about to be told the world.

It will require one, perhaps two years in the telling. It will summon 352 prosecution witnesses alone, and 14 judges to hear them. The lines of its plot radiate from a small German town to the United States, Canada, England, Italy, Australia, Brazil, Japan—23 countries in all. Now, 11 years after these lines fanned out, they have doubled back upon this small town and enveloped nine men whose acts, say accusers everywhere, were responsible for their despair. When Josef Havertz, the mournful-eyed prosecutor, reads out his indictment on May 27 to 600 participants and press gathered in a rented casino near Aachen, on the western edge of Germany, he will be voicing the rage of thousands of people whose lives, they say, were laid waste by a pill. This is what he will charge:

That these nine men were so eager to market a sleep-inducing drug of their discovery that they failed to test it properly.

That they sold this drug in Germany and to licensees throughout the world with assurances that it was safe when no such assurances existed.

That this drug caused thousands of its users to prickle, perspire, tremble, vomit, become giddy and, in some cases, lose feeling in their extremities so completely that they would topple to the ground.

That these men first disregarded or made light of such reports; that they lied to doctors who questioned them; that when the reports became too numerous to ignore, the defendants did everything they could to suppress them and—with money—encourage the production of other reports that were favorable.

That this drug, called thalidomide, advertised as safe even for pregnant women, did finally cause the birth of 7,000 monster babies throughout the world, some of whom died,

some of whom were killed and most of whom now live maimed lives.

The nine defendants—the owner, six present and two past employees of Chemie Grünenthal of Stolberg, Germany—will deny these charges. They will contend that they acted promptly and responsibly when the side effects of their drug first appeared. And they will challenge outright an assumption shared almost universally since those frantic, explosive weeks in November, 1961, when the epidemic of deformities around the world was traced to their firm—that thalidomide caused these deformities at all.

German law requires the prosecutor to guard the rights of the accused as well as their accusers. Should the arguments of the accused have merit, he must modify his charge. Prosecutor Havertz has studied these arguments but held to his charge. Since 1962, he has been gathering evidence whose dimensions befit the trial's scope: 70,000 pages of testimony from 1,200 witnesses, bound now into 259 volumes that line a long office wall. For two years, Havertz worked alone; since then, he has been helped by two assistant prosecutors, seven detectives and, wherever possible, by attorneys representing damaged and deformed victims from all over the world, whose own legal proceedings turn ultimately on the innocence or guilt of the Germans. The funnel for much of this assistance has been a combative Stockholm attorney named Henning Sjöström, who represents the parents of deformed Swedish children.

Much of the prosecution's case rests on the company's private records, which Havertz says were volunteered, but the company says were seized. Pieced together, they reveal, in the accused's own words, what the prosecution calls a crime.

Stolberg is a town of 40,000 set in open, rolling country, where forests are small and scattered, and, from any hilltop, you can count the factory chimneys—the biggest of which belongs to Dali-Werke Mäurer & Wirtz, a manufacturer of soaps, detergents and beauty preparations. In 1946, the company formed a subsidiary, Chemie Grünenthal, and headquartered it in a dream of an Old World building, an abandoned copper foundry built by Reformation Protestants. The big fieldstones had been cleaned, and the rooftops blackened, and the windows trimmed in white. Ivy climbed the walls, and laurel and rhododendron grew thick in the court. If Chemie Grünenthal was physically an attractive place to work, for key performers, it was financially attractive too. Their earnings were tied directly to revenues; a small annual salary could soar if the company had a good year.

At first, Chemie Grünenthal produced antibiotics almost exclusively, and nothing eventful occurred. But in 1954, two laboratory doctors discovered a hypnotic they called thalidomide.

No one could figure out why, but thalidomide possessed one enormously appealing characteristic: It could not kill. Experiments with animals failed to isolate the killing dose, not even when doses were massive. Nor, as it would later develop, would an overdose kill a human.

Following its test on animals, Grünenthal offered samples for doctors' use. Most doctors' initial reports were highly favorable. The drug produced prolonged and comfortable sleep.

There were qualifications, however. Doctors who praised the drug had not offered substantiating evidence. Then, too, many of the tests had been made on outpatients—a poor sample for testing. On November 13, 1956, Klaus Winandl, a former prisoner of war and now works manager of Chemie Grünenthal, noted these weak points in a memorandum to the company's products-department director, Heinrich Mückter.

There was a third cautionary note. Not all the doctors had praised the drug. One of



An Act

To safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of finance charges in credit transactions or in offers to extend credit; by restricting the garnishment of wages; and by creating the National Commission on Consumer Finance to study and make recommendations on the need for further regulation of the consumer finance industry; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

§ 1. Short title of entire Act

This Act may be cited as the Consumer Credit Protection Act.

Consumer Credit
Protection Act.

TITLE I—CONSUMER CREDIT COST
DISCLOSURE

Chapter	Section
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CHAPTER 1—GENERAL PROVISIONS

- 101. Short title.
- 102. Findings and declaration of purpose.
- 103. Definitions and rules of construction.
- 104. Exempted transactions.
- 105. Regulations.
- 106. Determination of finance charge.
- 107. Determination of annual percentage rate.
- 108. Administrative enforcement.
- 109. Views of other agencies.
- 110. Advisory committee.
- 111. Effect on other laws.
- 112. Criminal liability for willful and knowing violation.
- 113. Penalties inapplicable to governmental agencies.
- 114. Reports by Board and Attorney General.

§ 101. Short title

This title may be cited as the Truth in Lending Act.

Citation of
title.

§ 102. Findings and declaration of purpose

The Congress finds that economic stabilization would be enhanced and the competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. The informed use of credit results from an awareness of the cost thereof by consumers. It is the purpose of this title to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit.

82 STAT. 146
82 STAT. 147

§ 103. Definitions and rules of construction

- (a) The definitions and rules of construction set forth in this section are applicable for the purposes of this title.
- (b) The term "Board" refers to the Board of Governors of the Federal Reserve System.
- (c) The term "organization" means a corporation, government or governmental subdivision or agency, trust, estate, partnership, cooperative, or association.
- (d) The term "person" means a natural person or an organization.
- (e) The term "credit" means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.
- (f) The term "creditor" refers only to creditors who regularly extend, or arrange for the extension of, credit for which the payment of

a finance charge is required, whether in connection with loans, sale of property or services, or otherwise. The provisions of this title apply to any such creditor, irrespective of his or its status as a natural person or any type of organization.

(g) The term "credit sale" refers to any sale with respect to which credit is extended or arranged by the seller. The term includes an contract in the form of a bailment or lease if the bailee or lessee contracts to pay as compensation for use a sum substantially equivalent to or in excess of the aggregate value of the property and services involved and it is agreed that the bailee or lessee will become, or for no other or a nominal consideration has the option to become, the owner of the property upon full compliance with his obligations under the contract.

(h) The adjective "consumer", used with reference to a credit transaction, characterizes the transaction as one in which the party to whom credit is offered or extended is a natural person, and the money, property, or services which are the subject of the transaction are primarily for personal, family, household, or agricultural purposes.

(i) The term "open end credit plan" refers to a plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

(j) The term "State" refers to any State, the Commonwealth of Puerto Rico, the District of Columbia, and any territory or possession of the United States.

(k) Any reference to any requirement imposed under this title or any provision thereof includes reference to the regulations of the Board under this title or the provision thereof in question.

(l) The disclosure of an amount or percentage which is greater than the amount or percentage required to be disclosed under this title does not in itself constitute a violation of this title.

§ 104. Exempted transactions

This title does not apply to the following:

(1) Credit transactions involving extensions of credit for business or commercial purposes, or to government or governmental agencies or instrumentalities, or to organizations.

(2) Transactions in securities or commodities accounts by a broker-dealer registered with the Securities and Exchange Commission.

(3) Credit transactions, other than real property transactions, in which the total amount to be financed exceeds \$25,000.

(4) Transactions under public utility tariffs, if the Board determines that a State regulatory body regulates the charges for the public utility services involved, the charges for delayed payment, and any discount allowed for early payment.

82 STAT. 147

82 STAT. 148

§ 105. Regulations

The Board shall prescribe regulations to carry out the purposes of this title. These regulations may contain such classifications, differentiations, or other provisions, and may provide for such adjustments and exceptions for any class of transactions, as in the judgment of the Board are necessary or proper to effectuate the purposes of this title, to prevent circumvention or evasion thereof, or to facilitate compliance therewith.

§ 106. Determination of finance charge

(a) Except as otherwise provided in this section, the amount of the finance charge in connection with any consumer credit transaction shall be determined as the sum of all charges, payable directly or indirectly

by the person to whom the credit is extended, and imposed directly or indirectly by the creditor as an incident to the extension of credit, including any of the following types of charges which are applicable:

(1) Interest, time price differential, and any amount payable under a point, discount, or other system of additional charges.

(2) Service or carrying charge.

(3) Loan fee, finder's fee, or similar charge.

(4) Fee for an investigation or credit report.

(5) Premium or other charge for any guarantee or insurance protecting the creditor against the obligor's default or other credit loss.

(b) Charges or premiums for credit life, accident, or health insurance written in connection with any consumer credit transaction shall be included in the finance charge unless

(1) the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this fact is clearly disclosed in writing to the person applying for or obtaining the extension of credit; and

(2) in order to obtain the insurance in connection with the extension of credit, the person to whom the credit is extended must give specific affirmative written indication of his desire to do so after written disclosure to him of the cost thereof.

(c) Charges or premiums for insurance, written in connection with any consumer credit transaction, against loss of or damage to property or against liability arising out of the ownership or use of property, shall be included in the finance charge unless a clear and specific statement in writing is furnished by the creditor to the person to whom the credit is extended, setting forth the cost of the insurance if obtained from or through the creditor, and stating that the person to whom the credit is extended may choose the person through which the insurance is to be obtained.

(d) If any of the following items is itemized and disclosed in accordance with the regulations of the Board in connection with any transaction, then the creditor need not include that item in the computation of the finance charge with respect to that transaction:

(1) Fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to the credit transaction.

(2) The premium payable for any insurance in lieu of perfecting any security interest otherwise required by the creditor in connection with the transaction, if the premium does not exceed the fees and charges described in paragraph (1) which would otherwise be payable.

(3) Taxes.

(4) Any other type of charge which is not for credit and the exclusion of which from the finance charge is approved by the Board by regulation.

82 STAT. 148

(e) The following items, when charged in connection with any extension of credit secured by an interest in real property, shall not be included in the computation of the finance charge with respect to that transaction:

82 STAT. 149

(1) Fees or premiums for title examination, title insurance, or similar purposes.

(2) Fees for preparation of a deed, settlement statement, or other documents.

(3) Escrows for future payments of taxes and insurance.

(4) Fees for notarizing deeds and other documents.

(5) Appraisal fees.

(6) Credit reports.

§ 107. Determination of annual percentage rate

(a) The annual percentage rate applicable to any extension of consumer credit shall be determined, in accordance with the regulations of the Board,

(1) in the case of any extension of credit other than under an open end credit plan, as

(A) that nominal annual percentage rate which will yield a sum equal to the amount of the finance charge when it is applied to the unpaid balances of the amount financed, calculated according to the actuarial method of allocating payments made on a debt between the amount financed and the amount of the finance charge, pursuant to which a payment is applied first to the accumulated finance charge and the balance is applied to the unpaid amount financed; or

(B) the rate determined by any method prescribed by the Board as a method which materially simplifies computation while retaining reasonable accuracy as compared with the rate determined under subparagraph (A).

(2) in the case of any extension of credit under an open end credit plan, as the quotient (expressed as a percentage) of the total finance charge for the period to which it relates divided by the amount upon which the finance charge for that period is based, multiplied by the number of such periods in a year.

(b) Where a creditor imposes the same finance charge for balances within a specified range, the annual percentage rate shall be computed on the median balance within the range, except that if the Board determines that a rate so computed would not be meaningful, or would be materially misleading, the annual percentage rate shall be computed on such other basis as the Board may by regulation require.

(c) The annual percentage rate may be rounded to the nearest quarter of 1 per centum for credit transactions payable in substantially equal installments when a creditor determines the total finance charge on the basis of a single add-on, discount, periodic, or other rate, and the rate is converted into an annual percentage rate under procedures prescribed by the Board.

(d) The Board may authorize the use of rate tables or charts which may provide for the disclosure of annual percentage rates which vary from the rate determined in accordance with subsection (a) (1) (A) by not more than such tolerances as the Board may allow. The Board may not allow a tolerance greater than 8 per centum of that rate except to simplify compliance where irregular payments are involved.

(e) In the case of creditors determining the annual percentage rate in a manner other than as described in subsection (c) or (d), the Board may authorize other reasonable tolerances.

(f) Prior to January 1, 1971, any rate required under this title to be disclosed as a percentage rate may, at the option of the creditor, be expressed in the form of the corresponding ratio of dollars per hundred dollars.

82 STAT. 149

82 STAT. 150

§ 108. Administrative enforcement

(a) Compliance with the requirements imposed under this title shall be enforced under

(1) section 8 of the Federal Deposit Insurance Act, in the case of

(A) national banks, by the Comptroller of the Currency.

(B) member banks of the Federal Reserve System (other than national banks), by the Board.

80 Stat. 1046.

12 USC 1818.

(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System), by the Board of Directors of the Federal Deposit Insurance Corporation.

(2) section 5(d) of the Home Owners' Loan Act of 1933, section 407 of the National Housing Act, and sections 6(i) and 17 of the Federal Home Loan Bank Act, by the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), in the case of any institution subject to any of those provisions.

80 Stat. 1028.
12 USC 1464.
80 Stat. 1036.
12 USC 1730.
47 Stat. 727;
69 Stat. 640.
12 USC 1426,
1437.
12 USC 1751.

(3) the Federal Credit Union Act, by the Director of the Bureau of Federal Credit Unions with respect to any Federal credit union.

(4) the Acts to regulate commerce, by the Interstate Commerce Commission with respect to any common carrier subject to those Acts.

(5) the Federal Aviation Act of 1958, by the Civil Aeronautics Board with respect to any air carrier or foreign air carrier subject to that Act.

72 Stat. 731.
49 USC 1301
note.

(6) the Packers and Stockyards Act, 1921 (except as provided in section 406 of that Act), by the Secretary of Agriculture with respect to any activities subject to that Act.

42 Stat. 159.
7 USC 181.

(b) For the purpose of the exercise by any agency referred to in subsection (a) of its powers under any Act referred to in that subsection, a violation of any requirement imposed under this title shall be deemed to be a violation of a requirement imposed under that Act. In addition to its powers under any provision of law specifically referred to in subsection (a), each of the agencies referred to in that subsection may exercise, for the purpose of enforcing compliance with any requirement imposed under this title, any other authority conferred on it by law.

(c) Except to the extent that enforcement of the requirements imposed under this title is specifically committed to some other Government agency under subsection (a), the Federal Trade Commission shall enforce such requirements. For the purpose of the exercise by the Federal Trade Commission of its functions and powers under the Federal Trade Commission Act, a violation of any requirement imposed under this title shall be deemed a violation of a requirement imposed under that Act. All of the functions and powers of the Federal Trade Commission under the Federal Trade Commission Act are available to the Commission to enforce compliance by any person with the requirements imposed under this title, irrespective of whether that person is engaged in commerce or meets any other jurisdictional tests in the Federal Trade Commission Act.

38 Stat. 717.
15 USC 58.

(d) The authority of the Board to issue regulations under this title does not impair the authority of any other agency designated in this section to make rules respecting its own procedures in enforcing compliance with requirements imposed under this title.

§ 109. Views of other agencies

In the exercise of its functions under this title, the Board may obtain upon request the views of any other Federal agency which, in the judgment of the Board, exercises regulatory or supervisory functions with respect to any class of creditors subject to this title.

82 STAT. 150
82 STAT. 151

§ 110. Advisory committee

The Board shall establish an advisory committee to advise and consult with it in the exercise of its functions under this title. In

Compensation.

appointing the members of the committee, the Board shall seek to achieve a fair representation of the interests of sellers of merchandise on credit, lenders, and the public. The committee shall meet from time to time at the call of the Board, and members thereof shall be paid transportation expenses and not to exceed \$100 per diem.

§ 111. Effect on other laws

(a) This title does not annul, alter, or affect, or exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that those laws are inconsistent with the provisions of this title or regulations thereunder, and then only to the extent of the inconsistency.

(b) This title does not otherwise annul, alter or affect in any manner the meaning, scope or applicability of the laws of any State, including, but not limited to, laws relating to the types, amounts or rates of charges, or any element or elements of charges, permissible under such laws in connection with the extension or use of credit, nor does this title extend the applicability of those laws to any class of persons or transactions to which they would not otherwise apply.

(c) In any action or proceeding in any court involving a consumer credit sale, the disclosure of the annual percentage rate as required under this title in connection with that sale may not be received as evidence that the sale was a loan or any type of transaction other than a credit sale.

(d) Except as specified in sections 125 and 130, this title and the regulations issued thereunder do not affect the validity or enforceability of any contract or obligation under State or Federal law.

§ 112. Criminal liability for willful and knowing violation

Whoever willfully and knowingly

(1) gives false or inaccurate information or fails to provide information which he is required to disclose under the provisions of this title or any regulation issued thereunder,

(2) uses any chart or table authorized by the Board under section 107 in such a manner as to consistently understate the annual percentage rate determined under section 107(a)(1)(A), or

(3) otherwise fails to comply with any requirement imposed under this title,

shall be fined not more than \$5,000 or imprisoned not more than one year, or both.

§ 113. Penalties inapplicable to governmental agencies

No civil or criminal penalty provided under this title for any violation thereof may be imposed upon the United States or any agency thereof, or upon any State or political subdivision thereof, or any agency of any State or political subdivision.

§ 114. Reports by Board and Attorney General

Not later than January 3 of each year after 1969, the Board and the Attorney General shall, respectively, make reports to the Congress concerning the administration of their functions under this title, including such recommendations as the Board and the Attorney General, respectively, deem necessary or appropriate. In addition, each report of the Board shall include its assessment of the extent to which compliance with the requirements imposed under this title is being achieved.

CHAPTER 2—CREDIT TRANSACTIONS

Sec.

- 121. General requirement of disclosure.
- 122. Form of disclosure ; additional information.
- 123. Exemption for State-regulated transactions.
- 124. Effect of subsequent occurrence.
- 125. Right of rescission as to certain transactions.
- 126. Content of periodic statements.
- 127. Open end consumer credit plans.
- 128. Sales not under open end credit plans.
- 129. Consumer loans not under open end credit plans.
- 130. Civil liability.
- 131. Written acknowledgment as proof of receipt.

§ 121. General requirement of disclosure

(a) Each creditor shall disclose clearly and conspicuously, in accordance with the regulations of the Board, to each person to whom consumer credit is extended and upon whom a finance charge is or may be imposed, the information required under this chapter.

(b) If there is more than one obligor, a creditor need not furnish a statement of information required under this chapter to more than one of them.

§ 122. Form of disclosure ; additional information

(a) Regulations of the Board need not require that disclosures pursuant to this chapter be made in the order set forth in this chapter, and may permit the use of terminology different from that employed in this chapter if it conveys substantially the same meaning.

(b) Any creditor may supply additional information or explanations with any disclosures required under this chapter.

§ 123. Exemption for State-regulated transactions

The Board shall by regulation exempt from the requirements of this chapter any class of credit transactions within any State if it determines that under the law of that State that class of transactions is subject to requirements substantially similar to those imposed under this chapter, and that there is adequate provision for enforcement.

§ 124. Effect of subsequent occurrence

If information disclosed in accordance with this chapter is subsequently rendered inaccurate as the result of any act, occurrence, or agreement subsequent to the delivery of the required disclosures, the inaccuracy resulting therefrom does not constitute a violation of this chapter.

§ 125. Right of rescission as to certain transactions

(a) Except as otherwise provided in this section, in the case of any consumer credit transaction in which a security interest is retained or acquired in any real property which is used or is expected to be used as the residence of the person to whom credit is extended, the obligor shall have the right to rescind the transaction until midnight of the third business day following the consummation of the transaction or the delivery of the disclosures required under this section and all other material disclosures required under this chapter, whichever is later, by notifying the creditor, in accordance with regulations of the Board, of his intention to do so. The creditor shall clearly and conspicuously disclose, in accordance with regulations of the Board, to any obligor in a transaction subject to this section the rights of the obligor under this section. The creditor shall also provide, in accordance with regulations of the Board, an adequate opportunity to the obligor to exercise his right to rescind any transaction subject to this section.

(b) When an obligor exercises his right to rescind under subsection (a), he is not liable for any finance or other charge, and any security interest given by the obligor becomes void upon such a rescission. Within ten days after receipt of a notice of rescission, the creditor shall return to the obligor any money or property given as earnest money, downpayment, or otherwise, and shall take any action necessary, appropriate to reflect the termination of any security interest created under the transaction. If the creditor has delivered any property to the obligor, the obligor may retain possession of it. Upon the performance of the creditor's obligations under this section, the obligor shall tender the property to the creditor, except that if return of the property of that kind would be impracticable or inequitable, the obligor shall tender a cash payment of reasonable value. Tender shall be made at the location of the property or at the residence of the obligor, at the option of the obligor. If the creditor does not take possession of the property within ten days after tender by the obligor, ownership of the property vests in the obligor without obligation on his part to pay for it.

(c) Notwithstanding any rule of evidence, written acknowledgment of receipt of any disclosures required under this title by a person to whom a statement is required to be given pursuant to this section shall not create a rebuttable presumption of delivery thereof.

(d) The Board may, if it finds that such action is necessary in order to permit homeowners to meet bona fide personal financial emergencies, prescribe regulations authorizing the modification or waiver of any rights created under this section to the extent and under the circumstances set forth in those regulations.

(e) This section does not apply to the creation or retention of a first lien against a dwelling to finance the acquisition of that dwelling.

§ 126. Content of periodic statements

If a creditor transmits periodic statements in connection with an extension of consumer credit other than under an open end consumer credit plan, then each of those statements shall set forth each of the following items:

- (1) The annual percentage rate of the total finance charge.
- (2) The date by which, or the period (if any) within which, payment must be made in order to avoid additional finance charges or other charges.
- (3) Such of the items set forth in section 127(b) as the Board may by regulation require as appropriate to the terms and conditions under which the extension of credit in question is made.

§ 127. Open end consumer credit plans

(a) Before opening any account under an open end consumer credit plan, the creditor shall disclose to the person to whom credit is to be extended each of the following items, to the extent applicable:

- (1) The conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge.
- (2) The method of determining the balance upon which a finance charge will be imposed.
- (3) The method of determining the amount of the finance charge, including any minimum or fixed amount imposed as a finance charge.
- (4) Where one or more periodic rates may be used to compute the finance charge, each such rate, the range of balances to which it is applicable, and the corresponding nominal annual percentage

rate determined by multiplying the periodic rate by the number of periods in a year.

(5) If the creditor so elects,

(A) the average effective annual percentage rate of return received from accounts under the plan for a representative period of time; or

(B) whenever circumstances are such that the computation of a rate under subparagraph (A) would not be feasible or practical, or would be misleading or meaningless, a projected rate of return to be received from accounts under the plan. The Board shall prescribe regulations, consistent with commonly accepted standards for accounting or statistical procedures, to carry out the purposes of this paragraph.

(6) The conditions under which any other charges may be imposed, and the method by which they will be determined.

(7) The conditions under which the creditor may retain or acquire any security interest in any property to secure the payment of any credit extended under the plan, and a description of the interest or interests which may be so retained or acquired.

(b) The creditor of any account under an open end consumer credit plan shall transmit to the obligor, for each billing cycle at the end of which there is an outstanding balance in that account or with respect to which a finance charge is imposed, a statement setting forth each of the following items to the extent applicable:

(1) The outstanding balance in the account at the beginning of the statement period.

(2) The amount and date of each extension of credit during the period, and, if a purchase was involved, a brief identification (unless previously furnished) of the goods or services purchased.

(3) The total amount credited to the account during the period.

(4) The amount of any finance charge added to the account during the period, itemized to show the amounts, if any, due to the application of percentage rates and the amount, if any, imposed as a minimum or fixed charge.

(5) Where one or more periodic rates may be used to compute the finance charge, each such rate, the range of balances to which it is applicable, and, unless the annual percentage rate (determined under section 107(a)(2)) is required to be disclosed pursuant to paragraph (6), the corresponding nominal annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

(6) Where the total finance charge exceeds 50 cents for a monthly or longer billing cycle, or the pro rata part of 50 cents for a billing cycle shorter than monthly, the total finance charge expressed as an annual percentage rate (determined under section 107(a)(2)), except that if the finance charge is the sum of two or more products of a rate times a portion of the balance, the creditor may, in lieu of disclosing a single rate for the total charge, disclose each such rate expressed as an annual percentage rate, and the part of the balance to which it is applicable.

(7) At the election of the creditor, the average effective annual percentage rate of return (or the projected rate) under the plan as prescribed in subsection (a)(5).

(8) The balance on which the finance charge was computed and a statement of how the balance was determined. If the balance is determined without first deducting all credits during the period, that fact and the amount of such payments shall also be disclosed.

(9) The outstanding balance in the account at the end of the period.

(10) The date by which, or the period (if any) within which, payment must be made to avoid additional finance charges.

(c) In the case of any open end consumer credit plan in existence on the effective date of this subsection, the items described in subsection (a), to the extent applicable, shall be disclosed in a notice mailed or delivered to the obligor not later than thirty days after that date.

§ 128. Sales not under open end credit plans

(a) In connection with each consumer credit sale not under an open end credit plan, the creditor shall disclose each of the following items which is applicable:

(1) The cash price of the property or service purchased.

(2) The sum of any amounts credited as downpayment (including any trade-in).

(3) The difference between the amount referred to in paragraph (1) and the amount referred to in paragraph (2).

(4) All other charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge.

(5) The total amount to be financed (the sum of the amount described in paragraph (3) plus the amount described in paragraph (4)).

(6) Except in the case of a sale of a dwelling, the amount of the finance charge, which may in whole or in part be designated as a time-price differential or any similar term to the extent applicable.

(7) The finance charge expressed as an annual percentage rate except in the case of a finance charge

(A) which does not exceed \$5 and is applicable to an amount financed not exceeding \$75, or

(B) which does not exceed \$7.50 and is applicable to an amount financed exceeding \$75.

A creditor may not divide a consumer credit sale into two or more sales to avoid the disclosure of an annual percentage rate pursuant to this paragraph.

(8) The number, amount, and due dates or periods of payments scheduled to repay the indebtedness.

(9) The default, delinquency, or similar charges payable in the event of late payments.

(10) A description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

(b) Except as otherwise provided in this chapter, the disclosures required under subsection (a) shall be made before the credit is extended, and may be made by disclosing the information in the contract or other evidence of indebtedness to be signed by the purchaser.

(c) If a creditor receives a purchase order by mail or telephone without personal solicitation, and the cash price and the deferred payment price and the terms of financing, including the annual percentage rate, are set forth in the creditor's catalog or other printed material distributed to the public, then the disclosures required under subsection (a) may be made at any time not later than the date the first payment is due.

(d) If a consumer credit sale is one of a series of consumer credit sales transactions made pursuant to an agreement providing for the addition of the deferred payment price of that sale to an existing out-

standing balance, and the person to whom the credit is extended has approved in writing both the annual percentage rate or rates and the method of computing the finance charge or charges, and the creditor retains no security interest in any property as to which he has received payments aggregating the amount of the sales price including any finance charges attributable thereto, then the disclosure required under subsection (a) for the particular sale may be made at any time not later than the date the first payment for that sale is due. For the purposes of this subsection, in the case of items purchased on different dates, the first purchased shall be deemed first paid for, and in the case of items purchased on the same date, the lowest priced shall be deemed first paid for.

§ 129. Consumer loans not under open end credit plans

(a) Any creditor making a consumer loan or otherwise extending consumer credit in a transaction which is neither a consumer credit sale nor under an open end consumer credit plan shall disclose each of the following items, to the extent applicable:

(1) The amount of credit of which the obligor will have the actual use, or which is or will be paid to him or for his account or to another person on his behalf.

(2) All charges, individually itemized, which are included in the amount of credit extended but which are not part of the finance charge.

(3) The total amount to be financed (the sum of the amounts referred to in paragraph (1) plus the amounts referred to in paragraph (2)).

(4) Except in the case of a loan secured by a first lien on a dwelling and made to finance the purchase of that dwelling, the amount of the finance charge.

(5) The finance charge expressed as an annual percentage rate except in the case of a finance charge

(A) which does not exceed \$5 and is applicable to an extension of consumer credit not exceeding \$75, or

(B) which does not exceed \$7.50 and is applicable to an extension of consumer credit exceeding \$75.

A creditor may not divide an extension of credit into two or more transactions to avoid the disclosure of an annual percentage rate pursuant to this paragraph.

(6) The number, amount, and the due dates or periods of payments scheduled to repay the indebtedness.

(7) The default, delinquency, or similar charges payable in the event of late payments.

(8) A description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

(b) Except as otherwise provided in this chapter, the disclosures required by subsection (a) shall be made before the credit is extended, and may be made by disclosing the information in the note or other evidence of indebtedness to be signed by the obligor.

(c) If a creditor receives a request for an extension of credit by mail or telephone without personal solicitation and the terms of financing, including the annual percentage rate for representative amounts of credit, are set forth in the creditor's printed material distributed to the public, or in the contract of loan or other printed material delivered to the obligor, then the disclosures required under subsection (a) may be made at any time not later than the date the first payment is due.

§ 130. Civil liability

(a) Except as otherwise provided in this section, any creditor who fails in connection with any consumer credit transaction to disclose to any person any information required under this chapter to be disclosed to that person is liable to that person in an amount equal to the sum of

(1) twice the amount of the finance charge in connection with the transaction, except that the liability under this paragraph shall not be less than \$100 nor greater than \$1,000; and

(2) in the case of any successful action to enforce the foregoing liability, the costs of the action together with a reasonable attorney's fee as determined by the court.

(b) A creditor has no liability under this section if within fifteen days after discovering an error, and prior to the institution of an action under this section or the receipt of written notice of the error, the creditor notifies the person concerned of the error and makes whatever adjustments in the appropriate account are necessary to insure that the person will not be required to pay a finance charge in excess of the amount or percentage rate actually disclosed.

(c) A creditor may not be held liable in any action brought under this section for a violation of this chapter if the creditor shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error.

(d) Any action which may be brought under this section against the original creditor in any credit transaction involving a security interest in real property may be maintained against any subsequent assignee of the original creditor where the assignee, its subsidiaries, or affiliates were in a continuing business relationship with the original creditor either at the time the credit was extended or at the time of the assignment, unless the assignment was involuntary, or the assignee shows by a preponderance of evidence that it did not have reasonable grounds to believe that the original creditor was engaged in violations of this chapter, and that it maintained procedures reasonably adapted to apprise it of the existence of any such violations.

(e) Any action under this section may be brought in any United States district court, or in any other court of competent jurisdiction, within one year from the date of the occurrence of the violation.

§ 131. Written acknowledgment as proof of receipt

Except as provided in section 125(c) and except in the case of actions brought under section 130(d), in any action or proceeding by or against any subsequent assignee of the original creditor without knowledge to the contrary by the assignee when he acquires the obligation, written acknowledgment of receipt by a person to whom a statement is required to be given pursuant to this title shall be conclusive proof of the delivery thereof and, unless the violation is apparent on the face of the statement, of compliance with this chapter. This section does not affect the rights of the obligor in any action against the original creditor.

CHAPTER 3—CREDIT ADVERTISING

Sec.

- 141. Catalogs and multiple-page advertisements.
- 142. Advertising of downpayments and installments.
- 143. Advertising of open end credit plans.
- 144. Advertising of credit other than open end plans.
- 145. Nonliability of media.

§ 141. Catalogs and multiple-page advertisements

For the purposes of this chapter, a catalog or other multiple-page advertisement shall be considered a single advertisement if it clearly and conspicuously displays a credit terms table on which the information required to be stated under this chapter is clearly set forth.

§ 142. Advertising of downpayments and installments

No advertisement to aid, promote, or assist directly or indirectly any extension of consumer credit may state

(1) that a specific periodic consumer credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payments or installments for that period and in that amount.

(2) that a specified downpayment is required in connection with any extension of consumer credit, unless the creditor usually and customarily arranges downpayments in that amount.

§ 143. Advertising of open end credit plans

No advertisement to aid, promote, or assist directly or indirectly the extension of consumer credit under an open end credit plan may set forth any of the specific terms of that plan or the appropriate rate determined under section 127(a)(5) unless it also clearly and conspicuously sets forth all of the following items:

(1) The time period, if any, within which any credit extended may be repaid without incurring a finance charge.

(2) The method of determining the balance upon which a finance charge will be imposed.

(3) The method of determining the amount of the finance charge, including any minimum or fixed amount imposed as a finance charge.

(4) Where periodic rates may be used to compute the finance charge, the periodic rates expressed as annual percentage rates.

(5) Such other or additional information for the advertising of open end credit plans as the Board may by regulation require to provide for adequate comparison of credit costs as between different types of open end credit plans.

§ 144. Advertising of credit other than open end plans

(a) Except as provided in subsection (b), this section applies to any advertisement to aid, promote, or assist directly or indirectly any consumer credit sale, loan, or other extension of credit subject to the provisions of this title, other than an open end credit plan.

(b) The provisions of this section do not apply to advertisements of residential real estate except to the extent that the Board may by regulation require.

(c) If any advertisement to which this section applies states the rate of a finance charge, the advertisement shall state the rate of that charge expressed as an annual percentage rate.

(d) If any advertisement to which this section applies states the amount of the downpayment, if any, the amount of any installment payment, the dollar amount of any finance charge, or the number of installments or the period of repayment, then the advertisement shall state all of the following items:

(1) The cash price or the amount of the loan as applicable.

(2) The downpayment, if any.

(3) The number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended.

(4) The rate of the finance charge expressed as an annual percentage rate.

§ 145. Nonliability of media

There is no liability under this chapter on the part of any owner or personnel, as such, of any medium in which an advertisement appears or through which it is disseminated.

TITLE II—EXTORTIONATE CREDIT TRANSACTIONS

Sec.

201. Findings and purpose.

202. Amendments to title 18, United States Code.

203. Reports by Attorney General.

§ 201. Findings and purpose

(a) The Congress makes the following findings:

(1) Organized crime is interstate and international in character. Its activities involve many billions of dollars each year. It is directly responsible for murders, willful injuries to person and property, corruption of officials, and terrorization of countless citizens. A substantial part of the income of organized crime is generated by extortionate credit transactions.

(2) Extortionate credit transactions are characterized by the use, or the express or implicit threat of the use, of violence or other criminal means to cause harm to person, reputation, or property as a means of enforcing repayment. Among the factors which have rendered past efforts at prosecution almost wholly ineffective has been the existence of exclusionary rules of evidence stricter than necessary for the protection of constitutional rights.

(3) Extortionate credit transactions are carried on to a substantial extent in interstate and foreign commerce and through the means and instrumentalities of such commerce. Even where extortionate credit transactions are purely intrastate in character, they nevertheless directly affect interstate and foreign commerce.

(4) Extortionate credit transactions directly impair the effectiveness and frustrate the purposes of the laws enacted by the Congress on the subject of bankruptcies.

(b) On the basis of the findings stated in subsection (a) of this section, the Congress determines that the provisions of chapter 42 of title 18 of the United States Code are necessary and proper for the purpose of carrying into execution the powers of Congress to regulate commerce and to establish uniform and effective laws on the subject of bankruptcy.

§ 202. Amendments to title 18, United States Code

(a) Title 18 of the United States Code is amended by inserting the following new chapter immediately after chapter 41 thereof:

“CHAPTER 42—EXTORTIONATE CREDIT TRANSACTIONS

“Sec.

“891. Definitions and rules of construction.

“892. Making extortionate extensions of credit.

“893. Financing extortionate extensions of credit.

“894. Collection of extensions of credit by extortionate means.

“895. Immunity of witnesses.

“896. Effect on State laws.

“§ 891. Definitions and rules of construction

“For the purposes of this chapter :

“(1) To extend credit means to make or renew any loan, or to enter into any agreement, tacit or express, whereby the repayment or satisfaction of any debt or claim, whether acknowledged or disputed, valid or invalid, and however arising, may or will be deferred.

“(2) The term ‘creditor’, with reference to any given extension of credit, refers to any person making that extension of credit, or to any person claiming by, under, or through any person making that extension of credit.

“(3) The term ‘debtor’, with reference to any given extension of credit, refers to any person to whom that extension of credit is made, or to any person who guarantees the repayment of that extension of credit, or in any manner undertakes to indemnify the creditor against loss resulting from the failure of any person to whom that extension of credit is made to repay the same.

“(4) The repayment of any extension of credit includes the repayment, satisfaction, or discharge in whole or in part of any debt or claim, acknowledged or disputed, valid or invalid, resulting from or in connection with that extension of credit.

“(5) To collect an extension of credit means to induce in any way any person to make repayment thereof.

“(6) An extortionate extension of credit is any extension of credit with respect to which it is the understanding of the creditor and the debtor at the time it is made that delay in making repayment or failure to make repayment could result in the use of violence or other criminal means to cause harm to the person, reputation, or property of any person.

“(7) An extortionate means is any means which involves the use, or an express or implicit threat of use, of violence or other criminal means to cause harm to the person, reputation, or property of any person.

“(8) The term ‘State’ includes the District of Columbia, the Commonwealth of Puerto Rico, and territories and possessions of the United States. .

“(9) State law, including conflict of laws rules, governing the enforceability through civil judicial processes of repayment of any extension of credit or the performance of any promise given in consideration thereof shall be judicially noticed. This paragraph does not impair any authority which any court would otherwise have to take judicial notice of any matter of State law.

“§ 892. Making extortionate extensions of credit

“(a) Whoever makes any extortionate extension of credit, or conspires to do so, shall be fined not more than \$10,000 or imprisoned not more than 20 years, or both. Penalties.

“(b) In any prosecution under this section, if it is shown that all of the following factors were present in connection with the extension of credit in question, there is prima facie evidence that the extension of credit was extortionate, but this subsection is nonexclusive and in no way limits the effect or applicability of subsection (a) :

“(1) The repayment of the extension of credit, or the performance of any promise given in consideration thereof, would be unenforceable, through civil judicial processes against the debtor

“(A) in the jurisdiction within which the debtor, if a natural person, resided or

“(B) in every jurisdiction within which the debtor, if other than a natural person, was incorporated or qualified to do business

at the time the extension of credit was made.

"(2) The extension of credit was made at a rate of interest in excess of an annual rate of 45 per centum calculated according to the actuarial method of allocating payments made on a debt between principal and interest, pursuant to which a payment is applied first to the accumulated interest and the balance is applied to the unpaid principal.

"(3) At the time the extension of credit was made, the debtor reasonably believed that either

"(A) one or more extensions of credit by the creditor had been collected or attempted to be collected by extortionate means, or the nonrepayment thereof had been punished by extortionate means; or

"(B) the creditor had a reputation for the use of extortionate means to collect extensions of credit or to punish the nonrepayment thereof.

"(4) Upon the making of the extension of credit, the total of the extensions of credit by the creditor to the debtor then outstanding, including any unpaid interest or similar charges, exceeded \$100.

"(c) In any prosecution under this section, if evidence has been introduced tending to show the existence of any of the circumstances described in subsection (b)(1) or (b)(2), and direct evidence of the actual belief of the debtor as to the creditor's collection practices is not available, then for the purpose of showing the understanding of the debtor and the creditor at the time the extension of credit was made, the court may in its discretion allow evidence to be introduced tending to show the reputation as to collection practices of the creditor in any community of which the debtor was a member at the time of the extension.

"§ 893. Financing extortionate extensions of credit

"Whoever willfully advances money or property, whether as a gift, as a loan, as an investment, pursuant to a partnership or profit-sharing agreement, or otherwise, to any person, with reasonable grounds to believe that it is the intention of that person to use the money or property so advanced directly or indirectly for the purpose of making extortionate extensions of credit, shall be fined not more than \$10,000 or an amount not exceeding twice the value of the money or property so advanced, whichever is greater, or shall be imprisoned not more than 20 years, or both.

"§ 894. Collection of extensions of credit by extortionate means

"(a) Whoever knowingly participates in any way, or conspires to do so, in the use of any extortionate means

"(1) to collect or attempt to collect any extension of credit, or

"(2) to punish any person for the nonrepayment thereof, shall be fined not more than \$10,000 or imprisoned not more than 20 years, or both.

"(b) In any prosecution under this section, for the purpose of showing an implicit threat as a means of collection, evidence may be introduced tending to show that one or more extensions of credit by the creditor were, to the knowledge of the person against whom the implicit threat was alleged to have been made, collected or attempted to be collected by extortionate means or that the nonrepayment thereof was punished by extortionate means.

"(c) In any prosecution under this section, if evidence has been introduced tending to show the existence, at the time the extension of credit in question was made, of the circumstances described in section 892(b)(1) or the circumstances described in section 892(b)(2), and direct evidence of the actual belief of the debtor as to the creditor's

Penalties.

Penalties.

collection practices is not available, then for the purpose of showing that words or other means of communication, shown to have been employed as a means of collection, in fact carried an express or implicit threat, the court may in its discretion allow evidence to be introduced tending to show the reputation of the defendant in any community of which the person against whom the alleged threat was made was a member at the time of the collection or attempt at collection.

“§ 895. Immunity of witnesses

“Whenever in the judgment of a United States attorney the testimony of any witness, or the production of books, papers, or other evidence by any witness in any case or proceeding before any grand jury or court of the United States involving any violation of this chapter is necessary to the public interest, he, upon the approval of the Attorney General or his designated representative, may make application to the court that the witness be instructed to testify or produce evidence subject to the provisions of this section. Upon order of the court the witness shall not be excused from testifying or from producing books, papers, or other evidence on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture. But no such witness may be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, nor may testimony so compelled be used as evidence in any criminal proceeding against him in any court, except a prosecution for perjury or contempt committed while giving testimony or producing evidence under compulsion as provided in this section.

“§ 896. Effect on State laws

“This chapter does not preempt any field of law with respect to which State legislation would be permissible in the absence of this chapter. No law of any State which would be valid in the absence of this chapter may be held invalid or inapplicable by virtue of the existence of this chapter, and no officer, agency, or instrumentality of any State may be deprived by virtue of this chapter of any jurisdiction over any offense over which it would have jurisdiction in the absence of this chapter.”

(b) The table of chapters captioned “Part I—Crimes” at the beginning of part I of title 18 of the United States Code is amended by inserting

“42. Extortionate credit transactions----- 891”
immediately above

“43. False personation----- 911”.

§ 203. Reports by Attorney General

The Attorney General shall make an annual report to Congress of the activities of the Department of Justice in the enforcement of chapter 42 of title 18 of the United States Code. Report to Congress.

TITLE III—RESTRICTION ON GARNISHMENT

- Sec.
301. Findings and purpose.
302. Definitions.
303. Restriction on garnishment.
304. Restriction on discharge from employment by reason of garnishment.
305. Exemption for State-regulated garnishments.
306. Enforcement by Secretary of Labor.
307. Effect on State laws.

§ 301. Findings and purpose

(a) The Congress finds:

(1) The unrestricted garnishment of compensation due for personal services encourages the making of predatory extensions of credit. Such extensions of credit divert money into excessive credit payments and thereby hinder the production and flow of goods in interstate commerce.

(2) The application of garnishment as a creditors' remedy frequently results in loss of employment by the debtor, and the resulting disruption of employment, production, and consumption constitutes a substantial burden on interstate commerce.

(3) The great disparities among the laws of the several States relating to garnishment have, in effect, destroyed the uniformity of the bankruptcy laws and frustrated the purposes thereof in many areas of the country.

(b) On the basis of the findings stated in subsection (a) of this section, the Congress determines that the provisions of this title are necessary and proper for the purpose of carrying into execution the powers of the Congress to regulate commerce and to establish uniform bankruptcy laws.

§ 302. Definitions

For the purposes of this title:

(a) The term "earnings" means compensation paid or payable for personal services, whether denominated as wages, salary, commission, bonus, or otherwise, and includes periodic payments pursuant to a pension or retirement program.

(b) The term "disposable earnings" means that part of the earnings of any individual remaining after the deduction from those earnings of any amounts required by law to be withheld.

(c) The term "garnishment" means any legal or equitable procedure through which the earnings of any individual are required to be withheld for payment of any debt.

§ 303. Restriction on garnishment

(a) Except as provided in subsection (b) and in section 305, the maximum part of the aggregate disposable earnings of an individual for any workweek which is subjected to garnishment may not exceed

(1) 25 per centum of his disposable earnings for that week, or

(2) the amount by which his disposable earnings for that week exceed thirty times the Federal minimum hourly wage prescribed

by section 6(a) (1) of the Fair Labor Standards Act of 1938 in effect at the time the earnings are payable,

whichever is less. In the case of earnings for any pay period other than a week, the Secretary of Labor shall by regulation prescribe a multiple of the Federal minimum hourly wage equivalent in effect to that set forth in paragraph (2).

(b) The restrictions of subsection (a) do not apply in the case of

(1) any order of any court for the support of any person.

(2) any order of any court of bankruptcy under chapter XIII of the Bankruptcy Act.

(3) any debt due for any State or Federal tax.

(c) No court of the United States or any State may make, execute, or enforce any order or process in violation of this section.

§ 304. Restriction on discharge from employment by reason of garnishment

(a) No employer may discharge any employee by reason of the fact that his earnings have been subjected to garnishment for any one indebtedness.

80 Stat. 838.
29 USC 206.

52 Stat. 930.
11 USC 1001-
1086.

(b) Whoever willfully violates subsection (a) of this section shall be fined not more than \$1,000, or imprisoned not more than one year, or both. Penalties.

§ 305. Exemption for State-regulated garnishments

The Secretary of Labor may by regulation exempt from the provisions of section 303(a) garnishments issued under the laws of any State if he determines that the laws of that State provide restrictions on garnishment which are substantially similar to those provided in section 303(a).

§ 306. Enforcement by Secretary of Labor

The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this title.

§ 307. Effect on State laws

This title does not annul, alter, or affect, or exempt any person from complying with, the laws of any State

(1) prohibiting garnishments or providing for more limited garnishments than are allowed under this title, or

(2) prohibiting the discharge of any employee by reason of the fact that his earnings have been subjected to garnishment for more than one indebtedness.

TITLE IV—NATIONAL COMMISSION ON CONSUMER FINANCE

Sec.

401. Establishment.

402. Membership of the Commission.

403. Compensation of members.

404. Duties of the Commission.

405. Powers of the Commission.

406. Administrative arrangements.

407. Authorization of appropriations.

§ 401. Establishment

There is established a bipartisan National Commission on Consumer Finance, referred to in this title as the "Commission".

§ 402. Membership of the Commission

(a) The Commission shall be composed of nine members, of whom

- (1) three are Members of the Senate appointed by the President of the Senate;

- (2) three are Members of the House of Representatives appointed by the Speaker of the House of Representatives; and

- (3) three are persons not employed in a full-time capacity by the United States appointed by the President, one of whom he shall designate as Chairman.

(b) A vacancy in the Commission does not affect its powers and may be filled in the same manner as the original appointment.

(c) Five members of the Commission constitute a quorum.

§ 403. Compensation of members

(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Each member of the Commission who is appointed by the President may receive compensation at a rate of \$100 for each day he is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized

80 Stat. 499.

by law (5 U.S.C. 5703) for persons in the Government service employed intermittently.

§ 404. Duties of the Commission

(a) The Commission shall study and appraise the functioning and structure of the consumer finance industry, as well as consumer credit transactions generally. The Commission, in its report and recommendations to the Congress, shall include treatment of the following topics:

(1) The adequacy of existing arrangements to provide consumer credit at reasonable rates.

(2) The adequacy of existing supervisory and regulatory mechanisms to protect the public from unfair practices, and insure the informed use of consumer credit.

(3) The desirability of Federal chartering of consumer finance companies, or other Federal regulatory measures.

Reports to
President and
Congress.

(b) The Commission may make interim reports and shall make a final report of its findings, recommendations, and conclusions to the President and to the Congress by January 1, 1971.

§ 405. Powers of the Commission

(a) The Commission, or any three members thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinion pertinent to the study. In connection therewith the Commission is authorized by majority vote

(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine.

(2) to administer oaths.

(3) to require by subpoena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties.

(4) in the case of disobedience to a subpoena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpoena or order.

(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above.

(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

Compliance order
by court.

(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpoena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

(c) The Commission may require directly from the head of any Federal executive department or independent agency available information which the Commission deems useful in the discharge of its duties. All departments and independent agencies of the Government shall cooperate with the Commission and furnish all information requested by the Commission to the extent permitted by law.

Research con-
tract authority.

(d) The Commission may enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conduct of

research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it may publish the information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff. The Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying those documents as need may arise.

(f) The Commission may delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the conduct of its business, except as otherwise provided in this title.

§ 406. Administrative arrangements

(a) The Commission may, without regard to the provisions of title 5, United States Code, relating to appointments in the competitive service or to classification and General Schedule pay rates, appoint and fix the compensation of an executive director. The executive director, with the approval of the Commission, shall employ and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed may receive compensation in excess of the rate authorized for GS-18 under the General Schedule.

81 Stat. 625.
5 USC 5332.

(b) The executive director, with the approval of the Commission, may obtain services in accordance with section 3109 of title 5 of the United States Code, but at rates for individuals not to exceed \$100 per diem.

80 Stat. 416.

(c) The head of any executive department or independent agency of the Federal Government may detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

Personnel
detail.

(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services. The regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of that Administration for the administrative control of funds apply to appropriations of the Commission.

(e) Ninety days after submission of its final report, as provided in section 404(b), the Commission shall cease to exist.

Termination of
Commission.

§ 407. Authorization of appropriations

There are authorized to be appropriated such sums not in excess of \$1,500,000 as may be necessary to carry out the provisions of this title. Any money so appropriated shall remain available to the Commission until the date of its expiration, as fixed by section 406(e).

TITLE V—GENERAL PROVISIONS

- Sec.
501. Severability.
502. Captions and catchlines for reference only.
503. Grammatical usages.
504. Effective dates.

§ 501. Severability

If a provision enacted by this Act is held invalid, all valid provisions that are severable from the invalid provision remain in effect. If a provision enacted by this Act is held invalid in one or more of its applications, the provision remains in effect in all valid applications that are severable from the invalid application or applications.

§ 502. Captions and catchlines for reference only

Captions and catchlines are intended solely as aids to convenient reference, and no inference as to the legislative intent with respect to any provision enacted by this Act may be drawn from them.

§ 503. Grammatical usages

In this Act:

- (1) The word "may" is used to indicate that an action either is authorized or is permitted.
- (2) The word "shall" is used to indicate that an action is both authorized and required.
- (3) The phrase "may not" is used to indicate that an action is both unauthorized and forbidden.
- (4) Rules of law are stated in the indicative mood.

§ 504. Effective dates

(a) Except as otherwise specified, the provisions of this Act take effect upon enactment.

(b) Chapters 2 and 3 of title I take effect on July 1, 1969.

(c) Title III takes effect on July 1, 1970.

Approved May 29, 1968.

Ante, pp. 152,
157.

Ante, p. 162.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 1040 (Comm. on Banking & Currency) and
No. 1397 (Comm. of Conference).

SENATE REPORT No. 392 (Comm. on Banking & Currency).

CONGRESSIONAL RECORD:

Vol. 113 (1967): July 11, considered and passed Senate.

Vol. 114 (1968): Jan. 30, 31, Feb. 1, considered and
passed House, amended, in lieu of H. R. 11601.
May 22, House and Senate agreed to conference
report.

